Supreme Court, U.S.
FILED

No. 041682 JUN 13 2005

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IN THE

Supreme Court of the United States

MIRAMAX FILM CORP., MIRAMAX BOOKS, SPANKY PICTURES, INC., DAVID LEVIEN, BRIAN KOPPELMAN, TED DEMME, and JOEL STILLERMAN,

Petitioners,

v.

JEFF GROSSO,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

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PETITION FOR WRIT OF CERTIORARI

ALAN R. FRIEDMAN
MIRAMAX FILM CORP.
375 Greenwich Street
New York, NY 10013
(212) 965-4246

GAIL MIGDAL TITLE
Counsel of Record
JOEL R. WEINER
STACEY MCKEE KNIGHT
JENNIFER L. LALLITE
KATTEN MUCHIN ROSENMAN LLP
2029 Century Park East
Suite 2600
Los Angeles, CA 90067
(310) 788-4400

Attorneys for Petitioners

WILSON-EPES PRINTING CO., INC. – (202) 789-0096 – WASHINGTON, D. C. 20001

QUESTIONS PRESENTED

1. Did the Ninth Circuit err in determining that an Author's state law implied in fact contract claim based on unauthorized use of his work was not preempted under the 1976 Copyright Act, where Author alleged no negotiations or agreement on specific terms, but only an implied mutual expectation that he would be paid reasonable compensation for any unauthorized use, thereby permitting Author to evade Congress's clear intention to establish a uniform national policy of copyright law, completely preempt the field and "avoid the development of any vague borderline areas between State and Federal protection"?

2. Did the Ninth Circuit err in determining that an Author's state law implied in fact contract claim was not preempted when the court found, in conflict with other Circuits applying the test for determining whether a particular state law claim asserts rights that are "equivalent to any of the exclusive rights within the general scope of copyright," that, despite the absence of any alleged negotiations with Author or specific contract terms, the alleged use of Author's work without payment of compensation was "qualitatively different" from Author's claim for damages under the Copyright Act?

PARTIES TO THE PROCEEDINGS AND CORPORATE DISCLOSURE STATEMENT

The parties in the proceeding are the Petitioners and Respondents listed in the caption.

Petitioner-defendant Miramax Film Corp. is a corporation wholly owned by The Walt Disney Company, a publicly-traded corporation.

Petitioner-defendant Miramax Books is a division of Miramax Film Corp.

Petitioners-defendants David Levien, Brian Koppelman, Ted Demme and Joel Stillerman are individuals.

Petitioner-defendant Spanky Pictures, Inc., is a privately-held corporation.

Fireman's Fund Insurance Company is the insurer of all of the petitioners-defendants and is providing indemnity and costs of defense for all petitioners-defendants.

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Petitioners respectfully pray that a writ of *certiorari* issue to review the judgment of the United States Court of Appeals for the Ninth Circuit in this case.

OPINIONS AND ORDERS BELOW

The published opinion of the court of appeals reversing the district court is reported at 383 F.3d 965 (9th Cir. 2004), and is reprinted in the Appendix to the Petition ("Pet. App.") at 1a-4a. The order of the court of appeals amending its opinion, and denying petitions for rehearing and rehearing *en banc*, is reported at 400 F.3d 658 (9th Cir. 2005), and is reprinted at Pet. App. 5a-6a. The order of the district court denying plaintiff's motion to remand and retaining jurisdiction, Pet. App. 7a-15a; order granting defendants' motion to dismiss, Pet. App. 16a-17a; and order granting defendants' motion for summary judgment or, in the alternative, for an order deeming certain matters as being without substantial controversy, Pet. App. 18a-43a; are not reported.

SUPREME COURT JURISDICTION

The court of appeals entered a published opinion on September 8, 2004. Petitioners timely filed petitions for rehearing and rehearing *en banc*. On March 15, 2005, the court of appeals issued an amended opinion and denied the petitions for rehearing and rehearing *en banc*. This Court has jurisdiction under 28 U.S.C. § 1254(1).

STATUTORY AND CONSTITUTIONAL PROVISIONS INVOLVED

This case involves certain provisions of the 1976 Copyright Act, 17 U.S.C. § 101 *et seq.*, reprinted at Pet. App. 47a-69a. This case also involves United States Constitution Article I, Section 8, Clause 8 (governing copyrights), reprinted at Pet. App. 45a; and Article VI, Clause 2 (the Supremacy Clause), reprinted at Pet. App. 46a.

STATEMENT OF THE CASE

The Ninth Circuit's opinion below has dramatic and far-reaching implications, affecting all who make or use intellectual property and therefore rely on predictable rules to govern copyrighted material. Although this is a seemingly garden-variety copyright case in which an author claims that his script was incorporated into a motion picture without permission, Supreme Court review is not only appropriate—but urgent—because the Ninth Circuit's opinion, without any principled analysis, opens the floodgates to run-of-the-mill copyright cases giving rise to state law claims for breach of implied in fact contracts. By allowing Respondent's state law claim to proceed where other Circuits would not, the opinion creates confusion for those who deal in intellectual property, disrupts the uniform national treatment of copyrighted works established by the 1976 Copyright Act, threatens the exclusivity of federal court jurisdiction for copyright claims and deepens a split in the Circuits over copyright preemption.

1. FACTUAL BACKGROUND

Respondent wrote a script entitled "The Shell Game" centered on the subculture of high stakes poker and poker clubs. (Pet. App. 75a.) Respondent wrote his script without any involvement or communication with Petitioners, and later allegedly submitted his script either "directly" or "indirectly" to Respondents, and to "as many producers as would accept it" through "various agents." (Pet. App. 77a-78a.) Respondent did not submit his script directly to Petitioners, but only to a former executive of Petitioners working for an unrelated company in the same building as Petitioners. (Pet. App. 78a.) Respondent alleges that Petitioners used his script, without his authorization, as the basis for the motion picture "Rounders," which also involved the gambling subculture. (Pet. App. 75a.)

Respondent, eschewing federal court despite the obvious copyright claim available to him, filed his original complaint in Los Angeles County Superior Court, asserting claims for breach of contract, breach of implied contract, breach of confidence, intentional interference with contractual relationship and fraud. Petitioners removed. (Pet. App. 7a.) The district court denied Respondent's remand motion, holding that his breach of contract and breach of implied contract claims were completely preempted by the 1976 Copyright Act, and asserting supplemental jurisdiction over Respondent's remaining state law claims. (Pet. App. 7a-17a.)

Respondent thereafter stipulated to dismissal without prejudice of his non-contract state law claims and filed a First Amended Complaint asserting two claims: 1) copyright infringement, and 2) state law breach of implied contract. (Pet. App. 75a-84a.)

The gravamen of Respondent's claims is set forth in the first few sentences of the First Amended Complaint:

> This is a breach of implied contract and copyright infringement action arising out of Defendants' unauthorized use of Plaintiff's script entitled the "Shell Game". . . Defendants' conduct violates the Plaintiff's [implied] contractual rights . . . Defendants conduct also constitutes a copyright infringement.

(Pet. App. 75a-76a.) Respondent alleges that the exact same conduct—unauthorized use of his screenplay—both violates his implied contractual rights and also constitutes copyright infringement. (Pet. App. 75a-76a.)

Respondent alleges that an implied contract was created because he submitted his script with "the understanding and expectation, fully and clearly understood by Defendants, that Plaintiff would be reasonably compensated for its use by Defendants." (Pet. App. 78a.) Respondent does not allege that he had any negotiations or even any contact with Petitioners, let alone that the parties agreed to any specific

terms such as compensation or duration. Instead, Respondent baldly asserts that a mutual expectation of compensation impliedly arose between the parties based on the blind submission of his script to a former executive of Petitioners. The remainder of the complaint reads like a standard copyright infringement claim, with a detailed comparison of the script with the movie. (Pet. App. 79a-84a.) Respondent does not assert that he conveyed in any manner whatsoever any ideas or concepts to Petitioners, either directly or indirectly. To the contrary, his implied contract claim relies solely on his alleged submission of his entire copyrighted screenplay.

2. THE DISTRICT COURT'S OPINIONS

The District Court granted Petitioners' motion to dismiss Respondent's state law claim for breach of implied contract as preempted by the 1976 Copyright Act, ruling that the requirements for copyright preemption were satisfied. First, Respondent's screenplay fell within the "subject matter" of the Copyright Act because "[Respondent's] 'ideas' are fully embodied in a concrete form of written expression, his script." (Pet. App. 11a.) Second, the state law claim was "equivalent" to rights within the scope of the Copyright Act because it "essentially alleges that [Petitioners] violated [Respondent's] rights as an author" and "[Respondent] does not point to any 'extra element' which would place these claims beyond copyright law protection." (Pet. App. 12a.)

The district court later granted Petitioners' motion for summary judgment on Respondent's sole remaining claim for copyright infringement, finding that there was no evidence from which a jury could conclude that (i) Respondent submitted his copyrighted screenplay to Petitioners or Petitioners otherwise had access to Respondent's screenplay, or (ii) Petitioners' motion picture was substantially similar to Respondent's work. (Pet. App. 42a-43a.)

3. THE NINTH CIRCUIT'S PUBLISHED OPINION

The Ninth Circuit affirmed summary judgment on the copyright infringement claim, but reversed dismissal of the state law claim. *Grosso v. Miramax Film Corp.*, 383 F.3d 965 (9th Cir. 2004), reprinted at Pet. App. 1a-4a. The Ninth Circuit summarily, and incorrectly, concluded that Respondent's bare allegation of an implied "bilateral expectation of compensation" supplied the "extra element" necessary to avoid copyright preemption and proceed with a state law claim for breach of an implied in fact contract under *Desny v. Wilder*, 46 Cal. 2d 715 (1956), a case decided 20 years before Congress passed the 1976 Copyright Act. The Ninth Circuit relied on its decisions in *Landsberg v. Scrabble Crossword Game Players, Inc.*, 802 F.2d 1193 (9th Cir. 1986), and 736 F.2d 485 (9th Cir. 1984), for support that an "implied promise to pay" is an "extra element" for preemption purposes, though the implied contract in *Landsberg*, as in *Desny*, arose before the 1976 Copyright Act and "[u]nder Section 301 of the Copyright Act, there is no federal preemption of any causes of action based upon ["infringements taking place"] . . . before January 1, 1978." 1 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 1.01[C], 1-78 (2005).

The Ninth Circuit did not attempt to determine whether, as pled, there existed a "qualitative difference" between Respondent's state law claim for breach of implied in fact contract and his federal claim for copyright infringement, although there patently was none. The core of both Respondent's breach of implied in fact contract claim and his copyright claim is that Petitioners used his screenplay without authorization (Pet. App. 75a-76a). Although it referred to the rules governing copyright preemption, unlike other Circuits, the Ninth Circuit did not engage in an analysis of whether the state law claim was "qualitatively different" from Respondent's copyright claim, and instead looked only at the formal elements, not the

gravamen, of the claim. As a result of the Ninth Circuit's departure from the "qualitative difference" test applied by other Circuits, the Ninth Circuit's decision improperly allows Respondent (and all future litigants in the Ninth Circuit suing on mere implied expectation of payment) to avoid copyright preemption.

4. THE NINTH CIRCUIT'S AMENDED OPINION

The Ninth Circuit denied petitions for panel rehearing and rehearing *en banc*. In an apparent attempt to soften the impact of its ruling, the Ninth Circuit amended its opinion to state that its "decision is compelled by the procedural posture" of Respondent's claim, and that it expresses no opinion as to whether the record below supports the claim. *Grosso v. Miramax Film Corp.*, 400 F.3d 658, 659 (9th Cir. 2005), reprinted at Pet. App. 5a. However, the amended opinion still establishes a rule of law in the Ninth Circuit that a plaintiff can avoid copyright preemption (and removal to federal court) by including bare allegations of an implied in fact contract, even where the additional allegations do not alter the fundamental nature of the claim or its equivalency to the rights afforded under the Copyright Act.

REASONS FOR GRANTING THE PETITION

1. The Ninth Circuit's holding deepens a serious split in the Circuits over copyright preemption of state law claims. The 1976 Copyright Act provides a uniform, national law for enforcement of copyrights and makes clear that all state law claims governing works that fall within the subject matter of copyright and involving rights that are "'equivalent' to any of the exclusive rights within the general scope of copyright" are preempted. However, neither the Act nor the legislative history provides meaningful guidance as to how courts are to determine such "equivalency." Confusion in the Circuits is resulting in inconsistent treatment of similar claims.

Though the courts have developed an "extra element" test to evaluate preemption, the courts have not been uniform in its application. The lack of consistency has caused the Sixth Circuit to recently openly criticize the test as "not provid[ing] any real guidance to the courts," and a leading copyright treatise is replete with examples of inconsistent opinions. *See Ritchie v. Williams*, 395 F.3d 283, 288 n.3 (6th Cir. 2005). This Court should address the viability of the test and establish a coherent standard for the Circuits to apply.

2. The Ninth Circuit's opinion severely undermines the purpose of the 1976 Copyright Act. Prior to 1976, there existed an "anachronistic, uncertain, impractical and highly complicated dual system" of state common law and federal copyright law. Congress passed the 1976 Copyright Act, in large part, "to promote national uniformity and to avoid the practical difficulties of determining and enforcing an author's rights under the differing laws and in the separate courts of the various States." H.R. Rep. No. 94-1476, at 129 (1976), *reprinted in* 1976 U.S.C.C.A.N. at 5745, reprinted at Pet. App. 71a. Congress used "the clearest and most unequivocal language possible, so as to foreclose any conceivable misinterpretation of its unqualified intention that Congress shall act preemptively, and to avoid the development of any vague borderline areas between State and Federal protection." *Id.*

The Ninth Circuit's decision, which permits litigants to avoid the Copyright Act through the fiction of an implied in fact contract, even where no negotiations are alleged and the alleged breach is the unauthorized use of a copyrighted work without compensation, if not overturned, will usher in a return to the unpredictable and dual system of copyright regulation that Congress sought to avoid.

3. The Ninth Circuit's opinion below – resulting from its rote application of the inadequate "extra element" test without analyzing whether the implied contract claim contained "qualitative differences" so that it was not "equivalent"—

paves the way for future litigants to evade copyright preemption by choosing to file actions in the Ninth Circuit where they can recast garden variety copyright claims as implied contract claims even where the gravamen is nothing more than the unauthorized copying of a copyrighted work. There is no "qualitative difference" between Respondent's copyright and state law claims for compensation for the unauthorized use of his screenplay, particularly because the parties had no discussions or negotiations of any kind in relation to either the alleged contract or the alleged use of the Respondent's screenplay. An "implied contract" in this situation is a fiction, which is much more akin to a quasi contract claim (that courts have routinely held preempted) than to a bargained-for exchange.

Lower courts in the Ninth Circuit, lacking clear guidance for determining preemption, will read the Ninth Circuit's opinion as permitting litigants to avoid preemption by using the label "implied in fact contract," without the need to analyze whether each specific claim is "qualitatively different" from a copyright infringement claim. Meanwhile, courts in certain other jurisdictions, applying a more rigorous version of the "extra element" test, will continue to find similar claims preempted, resulting in the uneven application of copyright law that Congress sought to eliminate nearly three decades ago.

Further, the Ninth Circuit's opinion will have the practical effect of precluding federal court review, as implied in fact contract claims alleging illusory "extra elements" generally will be filed in state courts (many within the Ninth Circuit where the entertainment industry is centered, though the ruling has much broader implications affecting all businesses that rely on predictable rules governing the use and exploitation of intellectual property). If the opinion stands, removal to federal courts having exclusive jurisdiction over copyright matters will be unattainable.

Review is urgently needed, not only to resolve the conflict in the Circuits, but also to clarify the standards for copyright preemption to ensure that claims for unlawful copying are resolved in federal courts with national uniformity as Congress intended. The ease with which a plaintiff can now elude federal jurisdiction in the Ninth Circuit by alleging an illusory "extra element" encourages forum shopping and threatens the foundation of copyright preemption.

ARGUMENT

I. THE NINTH CIRCUIT DECISION DEEPENS THE CONFLICT AMONG CIRCUITS IN APPLYING THE "EXTRA ELEMENT" TEST, BETWEEN THOSE CIRCUITS THAT MECHANICALLY APPLY THE TEST AND THOSE THAT REQUIRE A SUBSTANTIVE "QUALITATIVE DIFFERENCE"

Copyright preemption is not limited to state law claims that are identical to those covered by the 1976 Copyright Act. Rather, by statute, copyright preemption extends to "all legal or equitable rights that are '*equivalent*' to any of the exclusive rights within the general scope of copyright." 17 U.S.C. § 301(a). Federal courts interpreting the scope of federal copyright preemption apply a two-part test:

First, the court inquires whether the work at issue in the state law claim falls within the "subject matter" of copyright. Here, there is no dispute that Respondent's script falls within the subject matter of copyright.

Second, the court determines whether the protections provided under state law are "equivalent" to the protections provided to copyright holders under the Act. If an "extra element" is required for the state law claim in addition to the wrongful acts prohibited by the Copyright Act (*e.g.*, adaptation, reproduction, distribution, etc.), there is no preemption, *but only if the "extra element" changes the nature of the*

action so that it is "qualitatively different" from a copyright infringement claim (the "extra element" test). Berge v. Board of Trustees of the Univ. of Alabama, 104 F.3d 1453, 1463 (4th Cir. 1997).

The Circuit courts, while all paying lip service to the "extra element" test, have developed different and inconsistent approaches in applying it. As a result, and as openly acknowledged by the Sixth Circuit earlier this year, the "extra element" test as currently applied by the courts "provid[es] no real guidance." *See Ritchie*, 395 F.3d at 288 n.3 (noting that the "extra element' test has received much criticism" because it "simply states a conclusion. . . . In all but the simplest cases, the extra elements test cannot be applied with certainty," *quoting* Marshall A. Leaffer, Understanding Copyright Law § 11.7[C] (3d ed.1999)). The *Ritchie* court noted that some courts merely look for any "extra element," regardless of its substance, while others evaluate whether the "extra element" changes the nature of the action before determining that a state claim can survive preemption. As a result, courts, even different panels and courts within the same circuits, have reached different results on similar claims.[1]

A. The Ninth Circuit

The Ninth Circuit determined that Respondent's implied contract claim contained the "extra element" of an "implied promise to pay" and was therefore not equivalent to a copyright claim, ruling that the implied "bilateral expectation of compensation" transformed his claim "from one arising under the ambit of the federal [copyright] statute to one sounding in contract." *Grosso*, 383 F.3d at 968. It reached this conclusion even though Respondent alleged no negotiations with Petitioners or any specific contract terms, and without evaluating

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[1] One of the leading treatises on copyright law, Nimmer on Copyright, contains many examples of inconsistent rulings by courts applying the "extra element" test. *Nimmer On Copyright* § 1.01[B][1][a]-[j].

whether the implied bilateral expectation changed the fundamental nature of the claim. In short, the Ninth Circuit simply equated the existence of the "extra element" with a "qualitative difference," collapsing the two requirements into one.[2]

By accepting the mere presence of this alleged "extra element" as sufficient to defeat preemption, the Ninth Circuit opinion misconstrues "*equivalency*" under Section 301 and puts itself in conflict with most other circuits, which require a state law cause of action to contain an "extra element *that make[s] it 'qualitatively different'* from a copyright infringement claim" in order to survive preemption. *Briarpatch Ltd. v. Phoenix Pictures, Inc.*, 373 F.3d 296, 305 (2d Cir. 2004) (emphasis added). In so doing, the Ninth Circuit undermines Congress's express intent when enacting Section 301 to avoid "any vague borderline areas between State and Federal protection." The need for this Court's intervention to provide clarity in this confused area is further evidenced by the decisions of other Circuits that have applied the more analytical "qualitative difference" approach to reach different conclusions on similar claims.

B. The Second Circuit

The Ninth Circuit's decision directly conflicts with the Second Circuit's recent decision in *Briarpatch*. In *Briarpatch*, the plaintiffs, some of whom were former partners of

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[2] The Ninth Circuit opinion came as a surprise, as the vast majority of district court decisions in the Ninth Circuit had held virtually identical implied contract claims preempted, despite an alleged promise to pay for the use of a work. *See, e.g., Entous v. Viacom International, Inc.*, 151 F. Supp. 2d 1150, 1153 (C.D. Cal. 2001) (treatment for television program); *Selby v. New Line Cinema Corp.*, 96 F. Supp. 2d 1053, 1060 (C.D. Cal. 2000) (screenplay); *Metrano v. Fox Broadcasting, Inc.* 2000 WL 979664, *1 (C.D. Cal. 2000) (treatment for television program); *Endemol Entertainment B.V. v. Twentieth Television, Inc.*, 1998 WL 785300 (C.D. Cal. 1998) (television concept); *Worth v. Universal Pictures, Inc.*, 5 F. Supp. 2d 816, 819 (C.D. Cal. 1997) (screenplay).

the plaintiff partnership, alleged that the plaintiff partnership owned the motion picture rights to "The Thin Red Line," which defendants exploited, without compensation to the plaintiffs. The plaintiffs brought state law claims, including for unjust enrichment. The crux of the *Briarpatch* claim, like that of Respondent here, was unauthorized use of plaintiff's work without proper compensation. Further, there was a much closer relationship between the parties in *Briarpatch* than Respondent's indirect submission of his script to Petitioners. Yet, *Briarpatch* had little trouble finding the unjust enrichment claim preempted.

The *Briarpatch* court did not look solely at the pleading elements of the unjust enrichment claim—which, as the Second Circuit noted, included elements not required to state a copyright claim. Instead, it engaged in the more stringent analysis of assessing whether the "extra element" transformed the unjust enrichment claim from one equivalent to copyright infringement into one "qualitatively different:"

> [T]he state law claim must not include any extra elements that make it qualitatively different from a copyright infringement claim. [citations omitted]. *To determine whether a claim is qualitatively different, we look at "what [the] plaintiff seeks to protect, the theories in which the matter is thought to be protected and the rights sought to be enforced."* [citations omitted]. Moreover, we take a *restrictive view* of what extra elements transform an otherwise equivalent claim into one that is qualitatively different from a copyright infringement claim [citations omitted]. Awareness or intent for instance, are not extra elements that make a state law claim qualitatively different. [citations omitted]. On the other hand, a state law claim is qualitatively different if it requires such elements as breach of fiduciary duty . . . or possession and control of chattels [citations omitted].

Id. at 305-06 (emphasis added). Applying that standard, the Second Circuit determined that plaintiff's claim of unjust

enrichment was preempted notwithstanding the "extra element" of enrichment:

> While [the pleading element of] enrichment is not required for copyright infringement, we do not believe that it goes far enough to make the unjust enrichment claim qualitatively different from a copyright infringement claim. Like the elements of awareness or intent, the enrichment element here limits the scope of the claim but leaves the fundamental nature unaltered.

Id. at 306 (citations omitted).

Unlike *Briarpatch*, the Ninth Circuit looked solely to the mere existence of an "extra element," and failed to perform a "*qualitative*" analysis to determine whether the "extra element" changed the fundamental nature of the state law claim. While the Ninth Circuit, thus, labeled the "implied promise to pay" for the use of Respondent's copyrighted script an "extra element," it offered no analysis as to whether such promise—unsupported by any allegations of negotiations, discussions, or agreed upon specific terms of any kind—transformed the implied in fact contract claim into one that was not "equivalent" to a claim for copyright infringement arising out of the unauthorized use of a copyrighted work. Under any level of scrutiny, no such transformation could be found to have occurred.

C. The Fourth Circuit

The Ninth Circuit's opinion is also in conflict with the Fourth Circuit's application of the "extra element" test. Like the Second Circuit, the Fourth Circuit stresses that an "extra element" must "change[] the nature of the state law action so that it is 'qualitatively different' from a copyright infringement claim." *Berge*, 104 F.3d at 1463. In *Berge*, the plaintiff, a doctoral candidate, sued a university and university officials with whom she had worked on her dissertation based on her claim that they used ideas in her dissertation without her permission; she sought compensation for such use.

In applying the "*equivalency*" prong of the preemption analysis, the Fourth Circuit emphasized the need for courts to look beyond the label and the conclusory allegations of a state law cause of action, and instead to examine the "*gravamen*" and "*core*" of the alleged wrong. Guided by the broad and absolute preemption of the Copyright Act, the *Berge* court concluded that a state law conversion claim was preempted because the plaintiff's allegations made clear that, in substance, her claim was based, not on the physical appropriation of tangible property, but instead on the defendant's unauthorized use of the "ideas and methods" contained in the plaintiff's doctoral dissertation. *Id.* at 1463.

The court of appeals rejected the plaintiff's assertion that her state law conversion claim contained the "extra element" of conversion of intangible property because, even if such conversion were allowed by state law, "it must be repudiated as contrary to the Copyright Act under the Supremacy Clause." *Id.* at 1464. The court similarly found the additional elements of "unauthorized use" insufficient. *Id.* at 1464, n.4. In "declin[ing] to erode the preemption provisions of the Copyright Act," the Fourth Circuit recognized that "if the language of the Act could be so easily circumvented, the preemption provision would be useless, and the policies behind a uniform Copyright statute would be silenced." *Id.* at 1464.

As discussed above, and unlike *Berge*, the Ninth Circuit focused only on the existence of the "extra element," and did not analyze whether the gravamen or core of Respondent's claim was fundamentally different from copyright.

D. The Sixth Circuit

The Ninth Circuit's opinion conflicts with Sixth Circuit opinions as well. In its most recent decision addressing copyright preemption, in diametric opposition to the Ninth Circuit, the Sixth Circuit held various state law claims preempted. *See Ritchie*, 395 F.3d at 287-89. In *Ritchie*, the plaintiff claimed that the defendant breached *express* written

agreements by which the plaintiff was to share in proceeds generated from the exploitation of certain of Kid Rock's songs. The court found the contract claims preempted by the Copyright Act, despite the existence of signed written contracts with express promises to pay specific sums (and not just implied contracts to pay unspecified reasonable compensation, as alleged in this case).

The Sixth Circuit concluded that the state law contract claims contained no meaningful "extra element" to remove the claims "from the policy of national uniformity established by the preemption provisions of § 301," and that the alternative theories of unjust enrichment, misrepresentation, conversion and injunctive relief against further misappropriation arose "from the same set of transactions" and were also preempted. *Id.* at 287-89.

In another recent opinion, the Sixth Circuit found an unjust enrichment claim preempted despite a known expectation of payment. *Murray Hill Publications, Inc. v. ABC Communications, Inc.*, 264 F.3d 622, 637-38 (6th Cir. 2001) (plaintiffs alleged the defendant "was aware that Plaintiffs intended to be fully compensated in the event that Defendant desired to make use of Plaintiffs' [work]."). The court reasoned that, notwithstanding this alleged awareness of expectation of compensation, the complaint included no "extra element" sufficient to alter the fundamental nature of the claim. In contrast, the Ninth Circuit found an expectation of payment sufficient.

These most recent decisions conflict with the Sixth Circuit's earlier decision in *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446, 455 (6th Cir. 2000). In *Wrench*, the plaintiffs alleged Taco Bell's spokesdog was a "knock off" of their copyrighted "Psycho Chihuahua" cartoon character and sued for breach of implied in fact contract, claiming that Taco Bell "impliedly promised" that it would pay the plaintiffs "something" if it used their character. The Court of Appeals,

reversing the district court, concluded that this implied promise to pay for the use of appellant's creative work allowed the claim to survive preemption. *Id.* at 456.

Like the Ninth Circuit (and unlike the more recent Sixth Circuit decisions in *Ritchie* and *Murray*, and the decisions of the Second Circuit in *Briarpatch* and the Fourth Circuit in *Berge*), *Wrench* merely assumed that the alleged "promise to pay" differentiated the claim from a copyright claim and did not examine the fundamental nature of the claim. In a further misapplication of the "extra element" test, the *Wrench* court ruled that "a qualitative difference is reflected in the *remedy* afforded by the state law claim." However, the Copyright Act dictates the exclusive remedies for infringement; a state law does not survive preemption by offering a different remedy for infringement. *See American Movie Classics Co. v. Turner Entertainment Co.*, 922 F. Supp. 926, 932, n.5 (S.D.N.Y. 1996) ("[A] difference in damages claimed for the same basic wrong" is not a "qualitative difference. In fact, if there were such an exception to the rule of preemption, the exception would quickly swallow the rule.").[3]

The inconsistency within the Sixth Circuit reflects the ineffectiveness of the "extra element" test. Indeed, *Ritchie* openly criticized the "extra element" test in realizing Congress's intent to establish national uniformity, citing multiple decisions in which it and other Circuits have

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[3] As the Ninth Circuit did with its amended opinion, *Wrench* attempted to soften the blow of its decision:

> In finding that appellant's state law contract claim is not preempted, we do not embrace the proposition that all state law contract claims survive preemption simply because they involve the additional element of promise.

Id. at 457. However, this language simply compounds the confusion by providing no guidance as to how to actually determine which promises warrant preemption and which survive.

struggled with the application and unpredictability of the test, and quoting commentators who have denounced the test as unworkable:

> The problem with the test is that it does not provide any real guidance to the courts. There is always some difference between the state law and the Copyright Act, so a court that wants to avoid preemption can always find some difference, however small, that is the "extra element" needed to avoid preemption.

Ritchie, 395 F.3d at 288 n. 3. This Petition presents this Court with the opportunity to rectify this problem and either endorse the approach of the Second and Fourth Circuits (and the post-*Wrench* Sixth Circuit) in applying the "qualitative difference" test or establish a different test that gives effect to Congress's objective to establish uniformity nationwide with respect to the application of the copyright laws, including, of course, their preemptive reach.

II. THE NINTH CIRCUIT DECISION UNDERMINES THE 1976 COPYRIGHT ACT BY RESURRECTING THE VAGUENESS AND CONFUSION OVER THE BORDERLINE AREAS BETWEEN STATE AND FEDERAL COPYRIGHT PROTECTION THAT EXISTED PRIOR TO ITS ENACTMENT

The importance of copyright law, and of national uniformity and clarity of preemption rules, has been recognized since the days of our Founders. The United States Constitution grants Congress the authority "[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const. Art. I, §8, cl. 8, reprinted at Pet. App. 45a. James Madison made clear that:

> The utility of this power will scarcely be questioned. The copyright of authors has been solemnly adjudged . . .

> to be a right of common law. The right to useful inventions seems with equal reason to belong to the inventors. The public good fully coincides in both cases with the claims of individuals. The States cannot separately make effectual provision for either of the cases. . . .

The Federalist No. 43 (James Madison).

Despite this acknowledged need for federal protection, under the Copyright Act of 1909, federal law and state law concurrently governed copyright law. *See ABKCO Music, Inc. v. LaVere*, 217 F.3d 684, 688 (9th Cir. 2000). Only limited categories of works that strictly complied with various legal formalities were eligible for federal copyright protection. *Id.*; *La Cienega v. Z.Z. Top Music Co.*, 53 F.3d 950, 952-53 (9th Cir. 1995), *cert. denied*, 516 U.S. 927 (1995) (discussing the split among the circuit courts as to what works were protected by federal copyright law). Other works were protected, if at all, by state common law copyright. *La Cienega*, 53 F.3d at 952-53; *Nimmer on Copyright* § 1.01[B[[1], 1-10. Diverse interpretations of the terms in the 1909 Act among state and federal courts led to wide-scale confusion. Congress recognized that the dual jurisdictional system that had evolved under the 1909 Act was so erratic that "the results in individual cases ha[d] become unpredictable and often unfair." H.R. Rep. No. 94-1476, 129-30, *reprinted in* 1976 U.S.C.C.A.N. at 5745. (Pet. App. 72a).

Determined to remedy this problem, Congress enacted the 1976 Copyright Act which instituted a Congressionally-proclaimed "single Federal system" to regulate copyright. Copyright Act, 17 U.S.C. § 101 *et seq.* (1976); H.R. Rep. No. 94-1476, at 129 (1976), *reprinted in* 1976 U.S.C.C.A.N. 5745. (Pet. App. 71a). Congress declared that "[o]ne of the fundamental purposes behind the copyright clause of the Constitution . . . was to promote national uniformity and to avoid the practical difficulties of determining and enforcing

an author's rights under the differing laws and in the separate courts of the various States." H.R. Rep. No. 94-1476, 129-30 (1976), *reprinted in* 1976 U.S.C.C.A.N. at 5745. (Pet. App. 71a). Congress further acknowledged that, as "the methods for dissemination of an author's work are incomparably broader and faster than they were in 1789, national uniformity in copyright protection is even more essential than it was then to carry out the constitutional intent." *Id.*

Recognizing that it was necessary to preempt state laws governing copyrights, Congress enacted § 301, which states:

> [A]ll legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103 . . . whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

17 U.S.C. § 301(a).

In Section 301, Congress evinced its clear intent that federal law exclusively control the entire field of copyright "so as to foreclose any conceivable misinterpretation of its unqualified intention that Congress shall act preemptively, and to avoid the development of vague borderline areas between state and federal protection." *See* H.R. Rep. No. 94-1476, at 130 (1976), *reprinted in* 1976 U.S.C.C.A.N. at 5746. (Pet. App. 73a); *Ritchie*, 395 F.3d at 287 ("Congress has indicated that 'national uniformity' in the strong sense of complete preemption is necessary in this [copyright] field"); *Nimmer on Copyright* § 1.01[B][1], 1-10; *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 362 (1979) (state contract law will be preempted by the Supremacy Clause where it

"stands as an obstacle to the accomplishment of the full purposes and objectives of Congress"). Consistent with this clear intent to broadly preempt state law in the area of copyright, courts have also recognized that, to implement this policy, "the shadow actually cast by the Act's preemption is notably broader than the wing of its protection." *Berge*, 104 F.3d at 1463.

This Court has acknowledged Congress' intent "to have national uniformity in patent and copyright laws." *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231 n.7 (1964); *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 517-18 (1994) ("Because copyright law ultimately serves the purpose of enriching the general public through access to creative works, it is peculiarly important that the law's boundaries be demarcated as clearly as possible."); *Community for Creative Non-Violence v. Reid*, 490 U.S. 730, 740 (1989) (the Copyright Act has an "express objective of creating national, uniform copyright law by broadly preempting state statutory and common-law copyright regulation"); *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 162-63 (1989) (addressing preemption of state law by federal patent laws and noting that clarity is especially important "[g]iven the inherently ephemeral nature of property in ideas").

The Ninth Circuit's superficial preemption analysis guarantees a return to the vague borderline areas Congress acted to abolish. Its cursory opinion dilutes the Copyright Act's preemptive force by enabling a plaintiff to seek protection in a copyrighted work under state law, merely by alleging unauthorized use and "bilateral expectation of payment." The decision thus threatens to destroy the certainty and predictability Congress endeavored to accomplish with a uniform federal system of copyright law. *See, e.g., Daboub v. Gibbons*, 42 F.3d 285, 290 (5th Cir. 1995) ("[I]f the language of the act could be so easily circumvented, the preemption

provision would be useless, and the policies behind a uniform Copyright statute would be silenced.").

Allowing the Ninth Circuit's decision to stand will foster a return to the chaotic dual-system of copyright regulation and attendant unpredictability and inequity for litigants that prevailed before the 1976 Copyright Act. The impact of the inconsistency will be far greater than it would have been when the Act was passed. The methods that existed in 1976 appear almost "quaint" in today's increasingly sophisticated technological world where the internet and wireless innovations push the regulation of copyrights and intellectual property to extremes that Congress could barely have anticipated when it recognized the importance of national uniformity of copyright protection nearly three decades ago.

III. THE NINTH CIRCUIT HAS INCORRECTLY DECIDED AN IMPORTANT AND RECURRING ISSUE OF FEDERAL COPYRIGHT LAW—PREEMPTION —THAT WARRANTS REVIEW

A. The Need for a Uniform National Standard for Copyright Protection Requires that Courts Examine the Core of State Law Claims Alleging Breach of Contract and Apply the Artful Pleading Doctrine in Determining Copyright Preemption.

State law contract claims concerning matters within the scope of the Copyright Act must be uniformly and analytically evaluated for copyright preemption.

Many claims based on contracts involving copyrighted material are not preempted. It is undisputed, for example, that the Copyright Act does not forbid enforcement under state law of the specific terms of licensing agreements or similar contracts. The rights created by such agreements (such as price and/or scope or duration of use) are generally

not equivalent to the exclusive rights granted by the Copyright Act. Thus, a state law action to enforce "the publisher's promise to pay the *stated royalty*" generally would not be preempted. *Nimmer on Copyright* § 1.01[B][1][a], 1-15 (emphasis added). Moreover, where the enforcement of *specific contract terms* is at issue, it will be immaterial whether the contract is express or implied by the actions of the party, since these are simply different ways of proving mutual assent and consideration. *Nimmer on Copyright*, § 16.03, 16-10 to 16-11.

That some breach of contract claims survive does not mean that every breach of contract claim survives preemption, however. Courts must analyze the precise contract right being asserted. *See ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1455 (7th Cir. 1996) (court refused to adopt "a rule that anything with the label 'contract' is necessarily outside the preemption clause. . . . [S]ome applications of the law of contract could interfere with the attainment of national objectives and therefore come within the domain of § 301(a)"). Contracts that merely prohibit unauthorized copying are preempted under Section 301(a). *See Ritchie*, 395 F.3d at 287 (breach of contracts that were "designed to control the ownership, performance rights and exploitation of copyrights on songs" was equivalent to infringement claim, and thus preempted by Copyright Act).

Under the statutory framework Congress enacted to implement its intent that the Copyright Act be accorded broad preemptive effect, only contract claims that are "qualitatively different" from a copyright claim will survive preemption. The mere allegation of an "extra element" is insufficient to avoid preemption. "Not every 'extra element' of a state law claim will establish qualitative variance between rights protected by federal copyright law and those protected by state law." *Bowers v. Baystate Technologies, Inc.*, 320 F.3d 1317, 1324 (Fed. Cir. 2003) (quoting *Nimmer on Copy-*

right) (other citations omitted). To the contrary, in many instances the asserted "extra elements are illusory, being 'mere label[s] attached to the same odious business conduct.'" *Id.* at 1324.

Similarly, the mere allegation of a promise, awareness or expectation is insufficient to state a non-preempted state law claim. *Wrench*, 256 F.3d at 457 ("we do not embrace the proposition that all state law contract claims survive preemption simply because they involve the extra element of promise"); *Harper & Row, Publishers, Inc. v. Nation Enterprises*, 723 F.2d 195, 201 (2d Cir. 1983), *cert. granted*, 467 U.S. 1214 (1984), *rev'd on other grounds*, 471 U.S. 539 (1985) ("pleaded elements of awareness and intentional interference" do not differentiate federal and state claims); *Murray Hill*, 264 F.3d at 637-38 (allegation that defendant knew that plaintiffs expected compensation for use of their work was insufficient to avoid preemption); *Selby v. New Line Cinema*, 96 F. Supp. 2d 1053, 1060 (C.D. Cal. 2000) ("The troubling aspect of this analysis is that conceivably the promise may not really be an 'additional element.'").

Further, many alleged implied in fact contracts are more accurately characterized as implied in law contracts, sometimes called quasi contracts or unjust enrichment. The same act (uncompensated use of the plaintiff's work) that purports to create liability for reasonable compensation under an implied in fact contract that lacks any price term creates the same liability in quasi contract, whether or not there is an implied promise to pay. As is widely agreed, even by the Ninth Circuit, actions in quasi contract involving the subject matter of the Copyright Act are preempted. *See Nimmer on Copyright*, § 1.01[B][1][g], 1-41 ("[A] state law cause of action for unjust enrichment or quasi contract should be regarded as an 'equivalent right' and hence, pre-empted insofar as it applies to copyright subject matter.") (emphasis and footnotes omitted); *Del Madera Properties v. Rhodes and*

Gardner, Inc., 820 F.2d 973, 977-78 (9th Cir. 1987) (unjust enrichment and unfair competition held preempted); *Ehat v. Tanner*, 780 F.2d 876, 877-79 (10th Cir. 1985) (finding unjust enrichment claim preempted); *Tingley Systems, Inc. v. CSC Consulting, Inc.*, 152 F. Supp. 2d 95, 112 (D. Mass 2001) (claim for quasi contract "does not qualitatively differ from a copyright infringement claim").

Determining which implied contracts are preempted is no easy task, especially given the amorphous nature of implied contracts and the many types of contracts that may exist. However, this evaluation must take place at the critical pleading stage and there must be a clear and uniform standard for litigants and courts to follow that requires the courts to analyze the gravamen of the claim. If the courts are to rely on the "extra element" test, then it must be the more rigorous form of the test employed by Second and Fourth Circuits, combined with the artful pleading doctrine, to look past the mere "extra element" to the "core" and the "gravamen" of the claim.[4]

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[4] The threat to uniformity is exacerbated by variations in state laws governing implied in fact contracts. Pennsylvania, for example, permits an implied in fact contract claim only for "ideas which are 'novel' and 'new' and which have been 'reduced to a concrete form'." *Ellis v. Steck Mfg. Co., Inc.*, 2001 WL 1632125, *3 (E.D. Pa. 2001). New York is less strict, requiring only "novelty to the buyer." *Nadel v. Play by Play Toys & Novelties, Inc.*, 208 F.3d 368, 376-77 (2d Cir. 2000). California has no novelty requirements at all. *See Chandler v. Roach*, 156 Cal. App. 2d 435, 443 (Cal. App. 1957) ("[W]e see no necessity to add the elements of novelty and concreteness to implied in fact contracts"). Another variation is that some states, such as Illinois and Texas, require reasonably certain and definite terms. *See Mitchell Novelty Co. v. United Mfg. Co.*, 94 F. Supp. 612, 613 (N.D. Ill. 1950) (allegation "that a reasonable royalty to be fixed later" was held insufficient); *Kleck v. Bausch & Lomb, Inc.*, 145 F. Supp. 2d 819, 827 (W.D. Texas 2000) (Texas law will not enforce an "agreement to agree"). In Michigan, however, an implied in fact contract may be proven "even if no agreement was reached as to price, duration, or other terms of the contract." *In re Estate of Morris*, 193 Mich. App. 579, 583 (Mich. App. 1992). Thus, permitting state laws to regulate

B. The Ninth Circuit Erred Because It Improperly Failed to Examine the Fundamental Core of Respondent's Implied Contract Claim or Apply the Artful Pleading Doctrine in Determining whether the Claim Was "Qualitatively Different" from His Claim for Copyright Infringement

The "artful pleading" doctrine was constructed to root out pleading artifice to prevent plaintiffs from "artificially plead[ing] their complaint in an attempt to avoid federal jurisdiction of claims that are potentially federal." *Crump v. WorldCom, Inc.*, 128 F. Supp. 2d 549, 559 (W.D. Tenn. 2001); *Drawhorn v. Qwest Communications Intern., Inc.*, 121 F. Supp. 2d 554, 559 (E.D. Tex. 2000) (court "should inspect the complaint carefully to determine whether a federal claim is necessarily presented, even if the plaintiff has couched his pleading exclusively in terms of state law.")

The "artful pleading" doctrine has special application in areas, such as copyright, which have been completely preempted by federal law. *See XL Sports, Ltd. v. Lawler*, 2002 WL 31260355, *18 (6th Cir. 2002) (artful pleading doctrine is also applicable where "some substantial, disputed question of federal law is a necessary element of one of the well-pleaded state claims or if the plaintiff's claim is really one of federal law"). As aptly explained by this Court:

> [A] plaintiff may not defeat removal by omitting to plead necessary federal questions. If the plaintiff thus 'artfully pleads' a claim, a court may uphold removal even though no federal question appears on the face of the complaint. The artful pleading doctrine allows removal where federal law completely preempts an asserted state-

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unauthorized use of copyrighted materials under implied in fact contract law subjects litigants to the vagaries of state law-a result directly contrary to congressional intent. State law does not, and cannot, dictate the parameters of copyright preemption; rather, this is the task of federal law and federal courts.

> law claim, (citation omitted), for a claim of that preempted character is, from its inception, a claim that can arise only under federal, not state, law. (citation omitted).

Rivet v. Regions Bank of Louisiana, 522 U.S. 470 (1998).

Here, the Ninth Circuit failed to examine the core of Respondent's claim for breach of implied contract or to apply the artful pleading doctrine in order to determine whether, as actually pled in the complaint, there was a legally significant difference between Respondent's implied breach of contract claim and his infringement claim. Had it done so, it would have reached a different result.

The crux of Respondent's breach of implied contract claim is that Petitioners breached this alleged implied contract when it used the script without authorization and without providing "reasonable compensation." (Pet. App. at 75a-76a) The same allegations form the crux of Respondent's copyright infringement claim, as both unauthorized use and compensation are covered by the Copyright Act. *See Davis v. The Gap, Inc.*, 246 F.3d 152, 172 (2d Cir. 2001) (the Copyright Act "permits a copyright owner to recover actual damages, in appropriate circumstances, for the fair market value of a license covering the defendant's infringing use"). Recharacterizing the claim as a promise to pay reasonable compensation for unauthorized use is mere semantics, and does not change the fundamental nature of the claim. *See Harper & Row*, 723 F.2d at 201 (2d Cir. 1983) (where unauthorized use is the "gravamen" of the state law claim, then the claim is coextensive with copyright and is preempted); *Ritchie*, 395 F.3d at 287-88 ("[t]here is no meaningful 'extra element,'" as some of the cases have put it, that removes the reformulated claims from the policy of national uniformity established by the preemption provisions of Section 301(a)").

Notably, Respondent here is not seeking to vindicate a specific right to which assent was manifested in either conduct or words. Rather, Respondent merely asserts that there was an "implied" agreement to pay "something" as reasonable compensation for the use of his copyrighted script and that state law should supply the default terms regarding the scope, kind, and duration of the permitted use and the amount of compensation to be paid for that use. However, as a matter of common sense, authors of scripts do not really agree to accept, and film producers do not really agree to pay, unspecified, unknown compensation with no terms. Rather, upon the submission of a script, there is, at most, an understanding that the producer will not use the script unless the parties arrive at actual agreement, which may include a variety of financial and other terms. Use absent such an agreement gives rise to a run-of-the-mill copyright infringement claim, which is what Respondent has here. However, as a result of the Ninth Circuit's divergence from the analysis of the Second, Fourth and Sixth Circuits, this otherwise ordinary case has taken on extraordinary significance as a blueprint to future plaintiffs seeking to plot a path around the preemptive power of the Copyright Act.

There is, in short, no legally meaningful or "qualitative difference" that separates Respondent's state law claim for uncompensated use of his script from his infringement claim for the identical unauthorized use. The gravamen of the claim remains the same. Therefore, the "extra element" and "qualitative difference" tests, as employed by most other Circuits, compelled the Ninth Circuit to hold Respondent's breach of implied contract claim preempted by Section 301.[5]

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[5] One reason the Ninth Circuit erred was its mistaken reliance on its opinions in *Landsberg*, 802 F.2d 1193 (1986), and 736 F.2d 485 (1984).

> Our prior decision in [*Landsberg*] supports treating the implied promise to pay required by *Desny* as an "extra element" for preemption purposes. . . .

Like the Second Circuit, the Ninth Circuit should have scrutinized the action, as pled, to determine "what the plaintiff seeks to protect, the theories in which the matter is thought to be protected and the rights sought to be enforced" before allowing the state law claim to advance. *Briarpatch*, 373 F.3d at 306. Protecting against the unauthorized use of a copyrighted work, and receiving compensation if such use occurs, is one of the precise aims of the Copyright Act. However, by failing to conduct the "qualitative difference" analysis in the manner employed by other Circuits, the Ninth Circuit permitted just such a state law claim to survive preemption. And, given the multiplicity of lawsuits that are routinely filed challenging the intellectual property pedigrees of entertainment related products, the Ninth Circuit's decision, if permitted to stand, will encourage and foster the assertion of state law claims that clearly fall within the scope of claims that Congress meant to be preempted. By granting a writ of *certiorari*, this Court can clarify and ensure that courts hereafter will consistently and properly apply the preemption test mandated by Section 301(a).

C. This Petition Presents Issues of National Importance—the Integrity, Scope and Uniform Application of Copyright Preemption.

As stated by this Court, the Copyright Act balances the "interests of authors . . . in the control and exploitation of their writings . . . and society's competing interest in the free flow of ideas, information, and commerce . . . ." *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984). Copyright

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383 F.3d at 968. The *Landsberg* decisions are inapposite because the implied contract at issue in the *Landsberg I* and *Landsberg II* opinions arose before Congress preempted the field of copyright with the 1976 Act and, therefore, did not involve, much less address, preemption. This error infects the Ninth Circuit's opinion below which, in effect, applies the law as it existed prior to the effective date of the 1976 Act, and which allowed a dual system of state and federal copyright law.

preemption is the cornerstone of Congress's efforts to establish a uniform federal system regulating copyrighted works.

The Ninth Circuit's ruling undermines copyright preemption. The opinion instructs plaintiffs how to dodge preemption by labeling a true copyright infringement claim, the core of which is unauthorized use without compensation, as one for breach of implied in fact contract simply by pleading an "implied promise to pay reasonable compensation," without any alleged interaction with the defendant, let alone mutual understanding as to price, duration or any other terms generally necessary for contract formation between the parties. Because other Circuits have imposed much more rigorous requirements for copyright preemption, the Ninth Circuit's ruling creates ill-advised incentives for forum shopping and undermines national uniformity.

The issues raised in the Petition are of paramount concern, not only to the entertainment industry, as reflected by numerous parties joining in amicus briefs in support of Petitioners' petitions for rehearing and rehearing *en banc* below (Pet. App. at 85a-128a), but to all businesses and citizens that rely on the enforcement of predictable rules governing the use and exploitation of intellectual property. Correcting the Ninth Circuit's erroneous approach to copyright preemption is particularly significant because a high percentage of the affected businesses and citizens are located or have operations in the Ninth Circuit, and are, thus, subject to suit there by forum shopping plaintiffs. Moreover, it is unlikely that another opportunity will readily arise for this Court to intervene, given that, based on the Ninth's Circuit's opinion, most implied contract claims such as Respondent's will be litigated in state court, and, thus, evade federal review.

Review is urgently needed to prevent the undoing of a single, federal system of copyright law.

CONCLUSION

For the foregoing reasons, Petitioners respectfully request that this Court issue a writ of *certiorari* to review the decision of the United States Court of Appeals for the Ninth Circuit.

Respectfully submitted,

ALAN R. FRIEDMAN
MIRAMAX FILM CORP.
375 Greenwich Street
New York, NY 10013
(212) 965-4246

GAIL MIGDAL TITLE
Counsel of Record
JOEL R. WEINER
STACEY MCKEE KNIGHT
JENNIFER L. LALLITE
KATTEN MUCHIN
ROSENMAN LLP
2029 Century Park East
Suite 2600
Los Angeles, CA 90067
(310) 788-4400

Attorneys for Petitioners

June 13, 2005

APPENDICES

APPENDIX A

UNITED STATES COURT OF APPEALS
NINTH CIRCUIT

No. 01-57255.

JEFF GROSSO,
Plaintiff-Appellant,
v.

MIRAMAX FILM CORP., a New York Corporation; MIRAMAX BOOKS; SPANKY PICTURES, a New York Corporation; DAVID LEVIEN, an individual; BRIAN KOPPELMAN, an individual; TED DEMME, an individual; JOEL STILLERMAN, an individual,
Defendants-Appellees.

Argued and Submitted April 7, 2003
Filed Sept. 8, 2004

Before: SCHROEDER, *Chief Judge*, THOMPSON, and GRABER, *Circuit Judges.*

SCHROEDER, *Chief Judge*:

Jeff Grosso appeals the district court's judgment in favor of the defendants, Miramax Film Corp. and others ("Miramax"), in his action alleging breach of contract under California law and violation of his copyright in his screenplay *The Shell Game*. Grosso claims that Miramax stole the ideas and themes of his work when they made the movie *Rounders*. In this appeal we consider two separate district court orders: one granting summary judgment on Grosso's copyright claim and one dismissing his state law claim as preempted by the Copyright Act. We affirm the

district court's grant of summary judgment in favor of Miramax on the copyright claim, but we reverse its dismissal of the state law claim.

Summary judgment on Grosso's copyright claim was proper. As the district court carefully and correctly explained, the two works are not substantially similar. The works do not have substantially similar genre, mood, and pace; their themes, settings, and characters are different; their plots and sequences of events are not parallel. Both works have poker settings but the only similarities in dialogue between the two works come from the use of common, unprotectable poker jargon.

Grosso's state law claim is for breach of implied contract. It seeks compensation not for the actual written script, but for the idea allegedly embodied in the script and shared with Miramax. *See Desny v. Wilder,* 299 P.2d at 257 (Cal.1956). We conclude that the district court erred in holding the claim preempted by the Copyright Act and in granting Miramax's motion to dismiss under Federal Rule of Civil Procedure 12(b)(6).

In *Desny*, 299 P.2d at 257, the California Supreme Court explained that where an idea is furnished by one party to another, a contract sometimes may be implied even in the absence of an express promise to pay. The Court held that a contract exists where "the circumstances preceding and attending disclosure, together with the conduct of the offeree acting with knowledge of the circumstances, show a promise [to pay] of the type usually referred to as 'implied' or 'implied in fact.'" *Id.* at 270. The *Desny* rule is justified on the theory that the bargain is not for the idea itself, but for the services of conveying that idea. *See Donahue v. Ziv Television Programs, Inc.*, 245 Cal.App.2d 593, 54 Cal. Rptr. 130, 140 (1966).

To establish a *Desny* claim for breach of implied-in-fact contract, the plaintiff must show that the plaintiff prepared the work, disclosed the work to the offeree for sale, and did so under circumstances from which it could be concluded that the offeree voluntarily accepted the disclosure knowing the conditions on which it was tendered and the reasonable value of the work. *See Faris v. Enberg*, 97 Cal.App.3d 309, 158 Cal.Rptr. 704, 709 (1979). Grosso's complaint mirrors the requirements of *Desny* and states that "the idea was submitted by Plaintiff to Defendants with the understanding and expectation, fully and clearly understood by Defendants that Plaintiffs would be reasonably compensated for its use by Defendants." We conclude that the complaint stated a *Desny* claim.

With respect to preemption, the Copyright Act, 17 U.S.C. § 301, establishes a two-part test. Claims under state law are preempted where: (1) the work at issue comes within the subject matter of copyright, and (2) the state law rights are "equivalent to any of the exclusive rights within the general scope of copyright." *Del Madera Props. v. Rhodes & Gardner, Inc.*, 820 F.2d 973, 976 (9th Cir.1987) (internal quotation marks omitted) *overruled on other grounds by Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 114 S.Ct. 1023, 127 L.Ed.2d 455 (1994); *see also* 17 U.S.C. § 301.

The dispositive preemption issue in this case is whether the rights protected by a *Desny* claim are equivalent to the rights protected by copyright. To survive preemption, the state cause of action must protect rights that are qualitatively different from the rights protected by copyright: the complaint must allege an "extra element" that changes the nature of the action. *Del Madera*, 820 F.2d at 977. Our prior decision in *Landsberg v. Scrabble Crossword Game Players, Inc.*, 802 F.2d 1193, 1196-97 (9th Cir.1986), supports treating the implied promise to pay required by *Desny* as an "extra element" for preemption purposes. In *Landsberg*, the

defendants used the plaintiff's idea for a Scrabble strategy book without paying the expected compensation, and we applied California law to affirm a judgment of liability on a *Desny* claim. We explained that:

> The contract claim turns not upon the existence of a [copyright] . . . but upon the implied promise to pay the reasonable value of the material disclosed.

Id. at 1196.

In *Del Madera* we held that a claim for unjust enrichment was equivalent to a claim for copyright infringement, and thus preempted, because the claim lacked an extra element—the bilateral expectation of compensation. Here, Grosso has alleged that the extra element is present. Therefore, his claim for breach of an implied-in-fact contract is not preempted by the Copyright Act, because it alleges an extra element that transforms the action from one arising under the ambit of the federal statute to one sounding in contract. *See Del Madera*, 820 F.2d at 977. Grosso's complaint alleged circumstances that, if true, would sustain an action under *Desny* that is not preempted.

The summary judgment of the district court on the copyright claim is affirmed. The judgment of the district court dismissing the state law claim is reversed and remanded for further proceedings.

AFFIRMED IN PART AND REVERSED AND REMANDED IN PART. Each party will bear its own costs.

APPENDIX B

UNITED STATES COURT OF APPEALS
NINTH CIRCUIT

No. 01-57255

JEFF GROSSO,
Plaintiff-Appellant,
v.

MIRAMAX FILM CORP., a New York Corporation; MIRAMAX BOOKS; SPANKY PICTURES, a New York Corporation; DAVID LEVIEN, an individual; BRIAN KOPPELMAN, an individual; TED DEMME, an individual; JOEL STILLERMAN, an individual,
Defendants-Appellees.

Argued and Submitted April 7, 2003
Amended March 15, 2005
Filed Sept. 8, 2004

ORDER

Before SCHROEDER, *Chief Judge*, THOMPSON, and SGRABER, *Circuit Judges.*

The opinion is amended to add a new penultimate paragraph as follows:

> We express no opinion on the question whether the facts adduced during the summary judgment proceedings on Grosso's *copyright* claim can support the *Desny* claim set forth in Grosso's complaint. Our decision is compelled by the procedural posture of the *Desny* claim. Because the district court granted Miramax' motion to dismiss under Rule 12(b)(6), our inquiry begins and ends

with Grosso's First Amended Complaint. *See Schneider v. Cal. Dep't of Corr.*, 151 F.3d 1194, 1197 n. 1 (9th Cir.1998) (stating that "[t]he focus of any Rule 12(b)(6) dismissal—both in the trial court and on appeal-is the complaint"). Further, we must take all factual allegations as true and must construe them in the light most favorable to the non-moving party. *AlliedSignal, Inc. v. City of Phoenix*, 182 F.3d 692, 695 (9th Cir.1999). With those limitations on our review in mind, we hold only that the First Amended Complaint states a *Desny* claim. We need not and do not decide whether the summary judgment record or any future record, yet to be developed, supports that claim.

The panel has voted to deny the petition for panel rehearing and petition for rehearing en banc.

The full court was advised of the petition for rehearing en banc, and no judge has requested a vote on whether to rehear the matter en banc. Fed. R.App. P.

The petition for panel rehearing and the petition for rehearing en banc are DENIED.

No future petitions for panel or en banc rehearing will be entertained.

APPENDIX C

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CASE NO. CV 99-10930 ABC (AIJx)

JEFF GROSSO, an individual,
Plaintiff,

v.

MIRAMAX FILM CORP., *et al.*,
Defendants.

Filed May 4, 2000

ORDER DENYING PLAINTIFF'S MOTION TO REMAND AND RETAINING JURISDICTION

After reviewing the materials submitted by the parties and the case file, it is hereby ORDERED that plaintiff's motion to Remand Case to State Court is DENIED. Additionally, the Court's Order to Show Cause Why the Action Should Not Be Remanded is discharged.

I. Factual and Procedural Background

Plaintiff Jeff Grosso filed a complaint in the Los Angeles Superior Court on August 30, 1999 against Defendants Miramax Film Corporation, Miramax Books, Spanky Pictures, David Levien, Brian Koppelman, Ted Demme, and Joel Stillerman. Plaintiff's complaint alleges causes of action for: (1) breach of contract; (2) breach of implied contract; (3) breach of confidence; (4) intentional interference with a contractual relationship; and (5) fraud.

According to the complaint, Plaintiff developed a written script which he registered with the Writers Guild in 1996. Plaintiff submitted the script directly to some Defendants and

to other Defendants through their agents, Plaintiff sought to have Defendants consider the script for production and expected to be paid if the script was used. (Compl. ¶¶ 7-9). According to Plaintiff, the screenplay "Rounders" was developed directly from and based upon his script. (Compl. ¶ 13).

On October 20, 1999, Defendants filed a timely Notice of Removal. On November 3, 1999, this Court issued an order to Show Cause Why the Action Should Not Be Remanded to State Court for Lack of Subject Matter Jurisdiction. On November 18, 1999, Defendants filed their Response to the Order to Show Cause. On December 6, 1999, Plaintiff filed a Motion to Remand and a Response to the Court's Order to Show Cause. On December 27, 1999 Defendants concurrently filed an Opposition to Plaintiff's Motion and a Reply to Plaintiff's Response to Order to Show Cause. This court dispensed with oral argument and took this matter under submission.

II. Analysis

A. Standard of Motion to Remand.

Federal courts are presumptively without jurisdiction over civil actions and the burden of establishing to the contrary rests upon the party asserting jurisdiction. See *Kokkonen v. Guardian Life Ins. Co. of America*, 511 U.S. 315, 377 (1994). "The threshold requirement for removal under 28 U.S.C. § 1441 is a finding that the complaint contains a cause of action that is within the original jurisdiction of the district court." *Toumajian v. Frailey*, 135 F.3d 648, 653 (9th Cir. 1998).

Moreover, in a removed case, "defendant bears the burden of actually proving the facts to support jurisdiction." *Gaus v. Miles, Inc.*, 980 F.2d 564, 566-67 (9th Cir. 1992) (citing *Garza v. Bettcher Indus., Inc.*, 752 F. Supp. 753, 763 (E.D. Mich. 1990)). Facts presented by the defendant are evaluated

in light of the "'strong presumption' against removal jurisdiction." *Id.* at 566 (quoting *St. Paul Mercury Indem. Co. v. Red Cab Co.*, 303 U.S. 283, 288-89 (1938)). A defendant must show by a preponderance of the evidence the facts that support jurisdiction where challenged by the plaintiff. *See Sanchez v. Monumental Life Insurance Co.*, 102 F.3d 398, 404 (9th Cir. 1996).

B. Federal Question Jurisdiction.

Federal question jurisdiction exists where the complaint contains a claim "arising under the constitution, laws, or treaties of the United States." 28 U.S.C. §§ 1331 & 1441(b). Where removal is sought on the basis of federal question jurisdiction, the Court must apply the "well-pleaded complaint" rule. *Toumajian*, 135 F.3d at 653. Under this rule, jurisdiction exists "only when a federal question is presented on the face of the plaintiff's properly pleaded complaint." *Rivet v. Regions Bank of Louisiana*, 522 U.S. 470, 118 S. Ct. 921, 925 (1998) (quoting *Caterpillar Inc. v. Williams*, 482 U.S. 386, 392 (1997)).

Here, the complaint alleges only state law claims against Defendants. Defendants, however, assert that the complaint alleges federal claims under the "complete preemption" doctrine. The complete preemption doctrine "provides that 'Congress may so completely preempt a particular area that any civil complaint raising this select group of claims is necessarily federal in character.'" *Toumajian*, 135 F.3d at 653 (quoting *Metropolitan Life Ins. Co. v. Taylor*, 481 U.S. 59, 63, 107 S. Ct. 1542 (1987)). In such a case, a state law claim is construed as a claim arising under federal law because the state law claim is "completely preempted." *Id.*

Although the complete preemption doctrine permits a purportedly state law claim to be removed to federal court, the doctrine does not apply merely because federal law preempts the state law claim. *Id.* at 654. The complete

preemption doctrine requires both that the state claim be preempted and that federal law provide a remedy that protects to and replaces the preempted claim. *Sullivan v. First Affiliated Secs., Inv.*, 813 F.2d 1368, 1372 (9th Cir. 1987); *Toumajian*, 135 F.3d at 654; *Heimann v. National Elevator Ind. Pension Fund*, 187 F.3d 493, 500 (5th Cir. 1999).

Defendants argue that this Court has federal question jurisdiction because Plaintiff's claims are completely preempted by the Federal Copyright Act of 1976, 17 U.S.C. §§ 101 *et seq.*[1] (Not. Of Removal § 9.) The Copyright Act provides original and exclusive federal jurisdiction over civil actions for copyright infringement. Under the Copyright Act, a copyright owner has exclusive rights over, (1) reproduction; (2) production; (3) preparation of derivative works; (4) performance; or (5) display of the copyrighted work. The Copyright Act preempts state law claims where; (1) the work at issue comes within the subject matter of the Copyright Act, and (2) the state law rights are "equivalent to rights within the general scope of copyright." *Del Madera Properties v. Rhodes and Gardner, Inc.*, 820 F.2d 973, 977 (9th Cir. 1987).

1. First Prong: Within the Subject Matter of the Copyright Act.

Plaintiff argues that his claims are not copyright claims because his claims are based on Defendants' misappropriation of his ideas only. (Pl.'s Mot. at 3.) In *Desny v. Wilder*, 46 Cal.2d 715, 299 P.2d 257 (1956), the California Supreme Court recognized a claim for breach of contract

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[1] Defendants also assert jurisdiction under 28 U.S.C. § 1332. Removal based on diversity jurisdiction requires the assertion of the citizenship of all parties. The Declarations of Defendants Stillerman and Demme provided in Defendants' Response assert only residency and not citizenship as required for complete diversity. (Defs.' Response Exs. C & D.) Thus, Defendants have failed to establish that this Court has diversity jurisdiction.

regarding the expression of one's ideas. The purpose of this state law claim is to protect those plaintiffs whose interest in literary property is not concrete enough to be protected under the copyright laws. *See Endemol Entertainment B.V. v. Twentieth Television Inc.*, 48 U.S.P.Q.2d 1524, 1527 (C.D. Cal. 1998).[2]

Plaintiff asserts that his state law claims are based solely on is the use of Plaintiff's ideas. However, this assertion is not supported by the complaint. The Complaint makes clear that Plaintiff's "ideas" are fully embodied in a concrete form of written expression, his script, and that this script was submitted to Defendants. For example, Plaintiff alleges "'Rounders' was developed directly from and based upon plaintiff's script" and that, under the terms of the contract Plaintiff was to "submit the script to defendants and defendants agreed to reasonably compensate plaintiff if defendants used the script or any part of the script for purposes of movie or book production." (Complt. ¶¶ 11-13 (emphasis added).) Thus, Defendants received not merely the ideas but a script containing the ideas.

The written script falls within the subject-matter of copyright as an "original work of authorship fixed in a[ ] tangible medium of expression." 17 U.S.C. § 102(a). Further, ideas embodied in a work covered by the Copyright Act fall within the Act's scope regarding its subject matter. *See U.S. ex rel. Berge v. Trustees of the University of Alabama*, 104 F.3d 1453, 1463 (4th Cir. 1997); *Endemol*, 48 U.S.P.Q.2d at 1526.

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[2] Plaintiff cites Circuit Rule 36-2 for the proposition that this Court's decision in *Endemol* was improperly cited by Defendants and should not be relied upon by this Court. Circuit Rule 36-3 precludes citing to or relying on unpublished Ninth Circuit opinions. There is nothing contained in Circuit Rule 36-3 that precludes a party from citing unpublished district court cases. Thus, Defendants did not violate any rule by citing to this Court's opinion in *Endemol* and the Court does not violate Rule 36-3 by relying on its own prior opinion.

Thus, Plaintiff's written script and the ideas contained therein fall within the subject matter of the Copyright Act.

2. Second Prong: Equivalent to Rights Within the Scope of the Copyright Act.

a. The Breach of Contract Claims.

Rights protected by contract may be different from those rights protected by copyright law provided the contract creates a right not existing under the copyright law. *See, e.g., ProCD, Inc., v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996); *National Car Rental Sys. Inc. v. Computer Assocs. Int'l, Inc.*, 991 F2d 426, 433 (8th Cir. 1993). However, for contract rights to differ from rights protected by copyright, there must be an "extra element" present in a written contract which places the claim beyond copyright law protection. "Simply alleging that Defendants violated Plaintiff's rights as an author is 'equivalent' to a copyright claim," *Dielsi v. Falk*, 916 F. Supp. 985, 991 (C.D. Cal. 1998). Furthermore, "[i]mplied contracts as a species of quasi contract should be regarded as an equivalent right and pre-empted insofar as it applies to copyright subject matter.'" *Endemol*, 49 U.S.P.Q.2d at 1528. (citing Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 1.01[B][1] [a], [g] 1-19, 1-34 (1997)).

Plaintiff's claim for breach of contract essentially alleges that Defendants violated Plaintiff's rights as an author. Plaintiff's claim for breach of implied in fact contract alleges "[a]n implied in fact contract was created between plaintiff and defendants . . . based upon, . . . the submission of the script by plaintiff and the use of that script by the defendants." (Complt. ¶ 18 (emphasis added).) This claim is, therefore, merely an allegation that Defendants violated his rights as an author. Plaintiff does not point to any "extra element" which would place these claims beyond copyright law protection. Thus, these claims are equivalent to federal

copyright claims. Accordingly, Plaintiff's state law claims for, breach of contract and breach of implied in fact contract are completely preempted by federal copyright law.

b. The Breach of Confidence Claim.

An actionable claim for breach of confidential relationship occurs when "an idea, whether or not protectable, is offered to another in confidence, and is voluntarily received by the offeree in confidence with the understanding that it is not to be disclosed to others, and is not to be used by the offeree for purposes beyond the limits of he confidence without the offeror's permission." *Self Directed Placement Corp. v. Control Data Corp.*, 908 F.2d 462, 467 (9th Cir. 1990). Protection of the disclosure "takes place only if the confidential nature of the disclosure is made clear prior to the exhibition." *Faris v. Enberg*, 97 Cal. App. 3d 309, 322, 158 Cal. Rptr. 704 (1979) (citations omitted). "[A] confidential relationship will not be created from the mere submission of an idea to another. There must exist evidence of the communication of the confidentiality of the submission or evidence from which a confidential relationship can be inferred." *Id.* at 323.

District courts in other jurisdictions have found stare law claims for breach of confidence were not preempted under federal copyright law. *See, e.g., Smith v. Weinstein*, 618 F.Supp. 1297 (S.D.N.Y. 1984); *Sargent v. American Greetings Corp.*, 588 F.Supp. 912 (N.D. Ohio 1984). Additionally, the Ninth Circuit bas noted that the extra element required to take a claim outside of the copyright realm it is satisfied by an allegation that a confidential relationship has been breached. *Summit Mach. Tool Manuf. Corp. v. Victor CNC Systems, Inc.*, 7 F.3d 1434, 1441 (9th Cir. 1993). Moreover, in the copyright context, the Ninth Circuit upheld the dismissal of a breach of confidential relationship claim for lack of subject-mater jurisdiction. *See Litchfield v. Spielberg*, 736 F.2d 1352,

1358 (9th Cir. 1984). Thus, the Court finds that a breach of confidence claim is not completely preempted by the Copyright Act.

Here, Plaintiff has pled a breach of a confidential relationship. Accordingly, Plaintiff's breach of confidence claim is not completely preempted.

c. The Intentional International Interference With a Contractual Relationship Claim.

To recover for intentional interference with a contractual relationship, a plaintiff must show: (1) that he or she had a valid and existing contract, (2) that the defendant had knowledge of the contract and intended to induce its breach; (3) that the contract was in fact breached; (4) that the breach was caused by the defendant's unjustified and wrongful conduct; and (5) that the plaintiff suffered damage. *Summit Mach.*, 7 F.3d at 1442. A claim for intentional interference with a contractual relationship requires the element of scienter that is not present in the federal copyright law. Therefore, "[s]uch a claim includes the requisite extra element and . . . is not preempted by federal law." *Id.*

Plaintiff has sufficiently pled an intentional interference with contract claim. Thus, Plaintiff's intentional interference with contract claim is not completely preempted.

d. The Fraud Claim.

To succeed on a fraud claim, a plaintiff must plead and prove an affirmative misrepresentation. *Valente-Kritzer Video v. Pinckney*, 881 F.2d 772, 776 (9th Cir. 1989). "[T]he element of misrepresentation . . . distinguishes [a fraud] claim from one based on copyright." *Id.*; *accord Dielsi*, 916 F.Supp at 991-992.

Plaintiff sufficiently alleges that Defendants affirmatively misrepresented their intent to honor his copyright. (Complt. 31-35.) Under *Valente-Kritzer*, that is sufficient to stave off complete preemption.

III. Conclusion

The Copyright Act completely preempts Plaintiff's First and Second Claims (breach of contract and breach of implied in fact contract). Thus, removal of this action is proper.

Plaintiff's Third, Fourth and Fifth Claims are not completely preempted by the Copyright Act. However, the Court retains supplemental jurisdiction over these claims under 28 U.S.C. § 1367.

Accordingly, the Court DENIES Plaintiff's Motion to Remand and DISCHARGES its order to Show Cause.

SO ORDERED.

DATED: MAY 2 2000

/s/ Audrey B. Collins
AUDREY B. COLLINS
UNITED STATES DISTRICT JUDGE

APPENDIX D

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CASE NO. CV 99-10930 ABC (AIJx)

JEFF GROSSO, an individual,
Plaintiff,

v.

MIRAMAX FILM CORP., *et al.*,
Defendants.

CIVIL MINUTES-GENERAL

Date: October 18, 2000
Filed Oct. 19, 2000

DOCKET ENTRY

PRESENT: Hon. Audrey B. Collins, United States District Judge

Daphne Alex Not Present

Deputy Clerk Court Reporter

ATTORNEYS PRESENT FOR PLAINTIFF: None

ATTORNEYS PRESENT FOR DEFENDANTS: None

PROCEEDINGS: DEFENDANTS' MOTION TO DISMISS 1ST CAUSE OF ACTION

(In chambers)

On September 22, 2000, Defendants filed the above-referenced Motion on October 6, 2000, Plaintiff filed an

Opposition. On October 17, 2000, Defendants filed their Reply.[1]

On review of the materials submitted by the parties and the case file, the Court finds the matter appropriate for submission without oral argument. See Fed. R. Civ. P. 78; Local Rule 7.11. The noticed hearing date of October 23, 2000 is hereby VACATED.

For the same reasons articulated in the Court's May 2, 2000 Order, the Motion to Dismiss Plaintiff's First Cause of Action is hereby GRANTED. The breach of implied contract claim alleged by Plaintiff contains no "extra element" that would prevent it from being completely preempted by copyright. Accordingly, it cannot be alleged as a separate cause of action. *See Also Selby v. New Line Cinema Corporation*, 96 F. Supp. 2d 1053 (C.D. Cal. 2000); *Worth v. Universal Pictures, Inc.*, 5 F. Supp. 2d 816 (C.D. Cal. 1997) (finding breach of implied contract claims fox submission. of scripts or screenplays preempted). Plaintiff's claim for Breach of Implied Contract is hereby DISMISSED, with prejudice.

Copies to:

Judge Collins
Counsel of Record

Deputy Clerk s/_____

[1] The Court notes that Defendants' Reply was untimely, as it was due on or before October 16, 2000. See Local Rule 7.7. The arguments therein, however, are not necessary to this ruling.

APPENDIX E

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CASE NO.: CV 99-10930 ABC (AIJx)

JEFF GROSSO,

Plaintiff,

v.

MIRAMAX FILM CORP., *et al.*,

Defendants.

Filed Nov. 6, 2001

ORDER RE: DEFENDANTS' MOTION FOR SUMMARY JUDGMENT OR, IN THE ALTERNATIVE, FOR AN ORDER DEEMING CERTAIN MATTERS AS BEING WITHOUT SUBSTANTIAL CONTROVERSY

This case arises from an allegation that Miramax Film Corporation's movie about underground poker clubs in New York City, "Rounders," starring Matt Damon and Edward Norton, infringes on a screenplay written by Plaintiff Jeff Grosso. Defendants' Motion for Summary Judgment came on regularly for a hearing before this Court on November 5, 2001. For the reasons indicated below, the Court GRANTS the Motion.

I. PROCEDURAL HISTORY

On August 30, 1999, Plaintiff JEFF GROSSO ("Plaintiff," or "Grosso") filed the initial Complaint in this matter in Los Angeles Superior Court, alleging claims for breach of contract against Defendants MIRAMAX FILM COMPANY ("Miramax"), MIRAMAX BOOKS, SPANKY PICTURES ("Spanky"), DAVID LEVIEN ("Levien"), BRIAN KOPPEL-

MAN, ("Koppelman"), TED DEMME ("Demme"), JOEL STILLERMAN ("Stillerman"), and DOES 1-100. On October 20, 1999, Defendants removed to this Court, on the ground that there was diversity jurisdiction, 28 U.S.C. § 1441(b), and that the action was preempted by the federal Copyright Act of 1976, 17 U.S.C. § 101, *et seq*. On July 11, 2000, and August 2, 2000, the Court issued orders dismissing all the claims asserted in the Complaint.

On August 28, 2000, Plaintiff filed a First Amended Complaint ("FAC"), asserting against Defendants claims for (1) breach of implied contract, and (2) copyright infringement. On October 18, 2000, the Court dismissed the breach of implied contract claim.

On August 15, 2001, Defendants filed the instant Motion for Summary judgment or, in the alternative, for an Order Deeming Certain Matters as Being Without Substantial Controversy ("Motion"), with regard to Plaintiff's sole remaining claim, copyright infringement. Along with the moving papers, Defendants filed a plethora of supporting materials.[1]

The Motion was noticed for hearing on September 10, 2001. The Court granted Plaintiff's ex parte application to

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[1] In addition to their Separate Statement of Material Facts and Conclusions Thereon, Defendants also filed on August 15, 2001, *inter alia*, the Responses to Interrogatories from Stillerman, Spanky, and Miramax (Exhibits B-D); two versions of Grosso's "The Shell Game" screenplay (Exhibits E-F); three versions of the "Rounders" screenplay (Exhibits G-H, M); the video of "Rounders" (Exhibit I); a novel based on "Rounders" (Exhibit J); a number of materials related to professional poker (Exhibits K-L); the agreement between Miramax and Koppelman and Levien to purchase "Rounders" (Exhibit N); the Writer's Guild of America registration receipt for "The Shell Game" (Exhibit O); a Zippo lighter embossed with the Ace of Spades (Exhibit P); multiple exhibits purporting to show Defendants' lack of access to Grosso's screenplay (Exhibits Q-T); and Declarations of eight individuals, including one expert (Declaration of Mark Rose, Ph.D.) and Defendants Stillerman, Demme, Koppelman, and Levien.

continue the hearing to September 24, 2001, and Plaintiff filed his Opposition ("Opp'n") on September 4, 2001. Plaintiff also submitted his own evidence in support thereof. Defendants filed their Reply on September 13, 2001.[2] The Court continued the hearing to November 5, 2001.

II. LEGAL STANDARD ON A MOTION FOR SUMMARY JUDGMENT

The party moving for summary judgment has the initial burden of establishing that there is "no genuine issue as to any material fact and that [it] is entitled to a judgment as a matter of law." Fed. R. Civ. Pro. 56(c); *see British Airways Bd. v. Boeing Co.*, 585 F.2d 946, 951 (9th Cir. 1978); *Fremont Indemnity Co. v. California Nat'l Physician's Insurance Co.*, 954 F. Supp. 1399, 1402 (C.D. Cal. 1997).

If the moving party has the burden of proof at trial (*e.g.*, a plaintiff on a claim for relief, or a defendant on an affirmative defense), the moving party must make a "showing sufficient for the court to hold that no reasonable trier of fact could find other than for the moving party." *Calderone v. United States*, 799 F.2d 254, 259 (6th Cir. 1986) (quoting from Schwarzer, *Summary Judgment Under the Federal Rules; Defining Genuine Issues of Material Fact*, 99 F.R.D. 465, 487-88 (1984)). Thus, if the moving party has the burden of proof at trial, that party "must establish beyond peradventure *all* of the essential elements of the claim or defense to warrant judgment in [its] favor." *Fontenot v. Upjohn Co.*, 780 F.2d 1190, 1194 (5th Cir. 1986) (emphasis in original); *see Calderone*, 799 F.2d at 259.

If the opponent has the burden of proof at trial, the moving party has no burden to negate the opponent's claim. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986). The moving

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[2] Along with the Reply, Defendants filed Miramax's Response to Plaintiff's Request for Admissions (Exhibit C).

party does not have the burden to produce *any* evidence showing the absence of a genuine issue of material fact. *Id.* at 325. "Instead, . . . the burden on the moving party may be discharged by 'showing'—that is, pointing out to the district court--that there is an absence of evidence to support the nonmoving party's case." *Id.* (citations omitted).

Once the moving party satisfies this initial burden, "an adverse party may not rest upon the mere allegations or denials of the adverse party's pleadings . . . [T]he adverse party's response . . . *must set, forth specific facts* showing that there is a genuine issue for trial." Fed. R. Civ. Pro. 56(e) (emphasis added). A "genuine issue" of material fact exists only when the nonmoving party makes a sufficient showing to establish the essential elements to that party's case, and on which that party would bear the burden of proof at trial. *Celotex*, 477 U.S. at 322-23. "The mere existence of a scintilla of evidence in support of the plaintiff's position will be insufficient; there must be evidence on which a reasonable jury could reasonably find for plaintiff." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 252 (1986). The evidence of the nonmovant is to be believed, and all justifiable inferences are to be drawn in favor of the nonmovant. *Id.* at 248. However, the court must view the evidence presented "through the prism of the substantive evidentiary burden." *Id.* at 252.

III. FACTUAL BACKGROUND

The parties largely agree on the facts relevant to the history of the two screenplays involved in the dispute, "The Shell Game" and "Rounders." The Court presents those facts in this section, relying, to the extent possible, on the parties' statements of the undisputed facts. Where facts are disputed, the Court so states. Where it is necessary to do so, all justifiable inferences are drawn in Plaintiff's favor, as is required on motions for summary judgment. The parties disagree on the facts relevant to the Court's determination of

whether the two works are substantially similar. The Court presents those facts in the discussion section, below.

Plaintiff Jeff Grosso is the author of a screenplay titled "The Shell Game." Defendants' Separate Statement of Material Facts ("Defs.' Facts") ¶ 1; Plaintiff's Separate Statement of Controverted and Uncontroverted Facts ("Pl.'s Facts") ¶ 1. He commenced working on the screenplay in mid-1995, collaborating with Richard Godoy. Defs.' Facts ¶¶ 2-3; Pl.'s Facts ¶¶ 2-3. During the writing process, neither Plaintiff nor Godoy released any information on "The Shell Game" to any person or firm. Defs.' Facts ¶ 5; Pl.'s Facts ¶ 5. Plaintiff finished writing "The Shell Game" in late 1995 or early 1996 and took sole writing credit. Defs.' Facts ¶¶ 4, 6; Pl.'s Facts ¶¶ 4, 6.

Plaintiff's screenplay includes the following synopsis of "The Shell Game":

> Three friends discover that getting rich quick can be a dangerous business.
>
> The Shell Game is a story about money and the people who want it. Choosing to forsake the straight and narrow path for the exciting, but unpredictable world of Southern California card clubs, Jack Baker, a gifted but irresponsible college student finds himself cornered by his own recklessness, and decides to take a desperate shot at instant salvation.
>
> On route to meet his impishly clever roommate Dicky, and angelically sinful girlfriend Jill in glittering Las Vegas, Jack by chance encounters an all too familiar loan shark and his crime boss employer. Meanwhile, Jill manages to attract the attention of a trigger-happy, British nobleman turned Las Vegas pimp.
>
> The shells start to move as Jack's debt, and Jill's charm splits the trio into two groups who each become

> embroiled in separate subversive plots to steal the million dollars in prize money for the richest poker tournament in history, the world Series of Poker, being held that weekend.
>
> All parties collide amidst the mayhem of the famous tournament and a mad scramble for the cash ensues, spilling blood all around. Just as the three friends are about to be added to the growing body count, Jack performs the greatest trick of all and engineers their escape with double the prize money, turning the weekend excursion into an adventure the three of them will never forget.

Motion, Ex. F, at 151.

After completing the screenplay, Plaintiff sent a copy to himself in the United States mail and filed a copy with the Writers' Guild of America ("WGA"). Defs.' Facts ¶¶ 7-8; Pl.'s Facts ¶¶ 7-8. Plaintiff also submitted his script to a number of entities and persons for purchase or production, but never directly to Defendants Koppelman, Levien, Demme, Stillerman, Spanky, or Miramax. Defs.' Facts ¶¶ 9-10; Pl.'s Facts ¶¶ 9-10. Plaintiff admits that he has no knowledge that any third party ever submitted "The Shell Game" to Defendants. Defs.' Facts ¶ 11; Pl.'s Facts ¶ 11.

In December 1995, Koppelman and Levien decided to write the screenplay that became "Rounders." Defs.' Facts ¶¶ 12-13; Pl.'s Facts ¶¶ 12-13. From December 1995 through September 1996, Koppelman and Levien researched the topic of their screenplay. Defs.' Facts ¶ 14; Pl.'s Facts ¶ 14. Koppelman and Levien wrote "Rounders" from September 1996 to December 1996. Defs.' Facts ¶¶ 15-16; Pl.'s Facts ¶¶ 15-16. Many of the characters and the settings in "Rounders" were inspired by real people and real places

known to Koppelman and Levien. Defs.' Facts ¶ 36.[3] After completing the screenplay, they showed it to their manager, Seth Jaret, who in turn showed it to Demme and Stillerman, who were principals at Spanky. Defs.' Facts ¶¶ 17-18; Pl.'s Facts ¶¶ 17-18. Stillerman and Demme wanted to produce "Rounders" and showed it to Miramax in February 1997. Defs.' Facts ¶¶ 19-21; Pl.'s Facts ¶¶ 19-21. In April 1997, Miramax entered into a contract with Koppelman and Levien to purchase "Rounders." Defs.' Facts ¶ 22; Pl.'s Facts ¶ 22. Demme and Stillerman began producing "Rounders" in January 1998. Defs.' Facts ¶ 23; Pl.'s Facts ¶ 23. Miramax released "Rounders" in 1998. Defs.' Facts ¶ 46; Pl.'s Facts ¶ 46.

The "Rounders" videotape offers the following synopsis of the film, described as a "story of passion, risk and the extreme price of friendship":

> Dealt a painful lesson when he blows his hard-earned savings in a high-stakes, underground card club, master poker player Mike thinks he's played his final hand when he gives up gambling for law school and a fresh start with his beautiful girlfriend. But then, his best buddy gets out of prison and in over his head with a ruthless cardshark. From there, Mike's strong sense of loyalty and the irresistible lure of the game draw him back to the tables in a do-or-die bid to rescue his friend!

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[3] Plaintiff's attempt to controvert this fact is nonresponsive and primarily a legal argument. Plaintiff has presented no evidence in the form of declarations or other written evidence controverting Koppelman and Levien's evidence that they based their film on real people and places with which they were familiar. *See* Fed. R. Civ. P. 56(e); Local Rule 56-.3 ("[T]he Court will assume that the material facts as claimed and adequately supported by the moving party are admitted to exist without controversy except to the extent that such material facts are . . . controverted by declaration or other written evidence filed in opposition to the motion.").

> . . . Mike ultimately finds himself forced to wager his very future in a game he cannot afford to lose.

Motion, Ex. I.

Koppelman, Levien, Demme, and Stillerman did not see or hear about "The Shell Game" prior to hearing about Grosso's claim. Defs.' Facts ¶¶ 24-27.[4] Spanky has no record of ever receiving a copy of "The Shell Game." Defs.' Facts ¶ 28; Pl.'s Facts 28. Miramax's record of submissions contains no listing for Grosso or "The Shell Game." Defs.' Facts ¶ 29; Pl.'s Facts ¶ 29. None of the third parties to whom Plaintiff has said he submitted "The Shell Game" provided any information from which it could be deduced that they, in turn, sent "The Shell Game to any of the Defendants. Defs.' Facts ¶ 30; Pl.'s Facts ¶ 30.

Plaintiff claims to have submitted "The Shell Game" to Patrick McDarrah of Gotham Entertainment Group. Defs.' Facts ¶ 31; Pl.'s Facts ¶ 31. McDarrah does not recall ever seeing a script with the elements of "The Shell Game." Defs.' Facts ¶ 32.[5] Gotham had an arrangement with Miramax which required Gotham to submit projects to Miramax if Gotham acquired an interest in the project. Defs.' Facts ¶ 33.[6] Gotham never acquired an interest in "The Shell Game" or any other work written by Plaintiff. Defs.' Facts

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[4] Plaintiff contests these factual assertions on the ground that he is not required to prove any evidence that Defendants actually saw and received his screenplay. *See*, Pl.'s Facts ¶¶ 24-27. This is a legal argument, however, rather than a factual response. Accordingly, Defendants' factual assertions remain uncontroverted.

[5] Again, Plaintiff's legal argument cannot controvert this fact.

[6] Plaintiff is correct that there is no evidence that Gotham could not have submitted other projects to Miramax, even if Gotham did not acquire an interest in those projects. Pl.'s Facts ¶ 33.

¶ 34; Pl.'s Facts ¶ 34. Gotham never submitted "The Shell Game" to Miramax. Defs.' Facts ¶ 35.[7]

IV. DISCUSSION

Defendants seek judgment as a matter of law on Plaintiff's claim for copyright infringement under 17 U.S.C. § 101 *et seq.* A plaintiff asserting infringement of copyright must prove: (1) ownership of a valid copyright; and (2) infringement - that defendant copied protected elements of the plaintiff's work. *See Three Boys Music Corp. v. Bolton*, 212 F.3d 477, 481 (9th Cir. 2000). "Absent direct evidence of copying, proof of infringement involves fact-based showings that the defendant had 'access' to the plaintiff's work and that the two works are substantially similar." *Id.* In this case, the existence and validity of Plaintiff's copyright in "The Shell Game" is not contested. Therefore, the question is whether "Rounders" copies protected elements thereof. With no *direct* evidence of copying, both "access" and "substantial similarity" must be proven.

A. Access to Plaintiff's Work ("The Shell Game")

Because Plaintiff did not directly submit "The Shell Game" to any Defendants, *see* Defs.' Facts ¶¶ 9-11; Pl.'s Facts ¶¶ 9-11, Plaintiff must prove that Defendants had "an opportunity to view or to copy plaintiff's work" to establish they had "access" to the screenplay. *Sid and Marty Krofft Television Productions, Inc. v. McDonald's Corp.*, 562 F.2d 1157, 1172 (9th Cir. 1977). "We have defined reasonable access as 'more than a "bare possibility."'" *Three Boys Music*, 212 F.3d at 482. Thus, there must be a "reasonable possibility" or "reasonable opportunity" for viewing the plaintiff's work. *See id.* "Access may not be inferred through mere speculation or conjecture. At times, distinguishing a 'bare' possibility from a 'reasonable' possibility will present

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[7] Again, Plaintiff's legal argument cannot controvert this fact.

a close question." *Id.* (quoting 4 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright*, § 13.02 [A] at 13-19 (1999)).

"Access" to a plaintiff's copyrighted work is most often proven through circumstantial evidence, because admissions or direct evidence of access for purposes of copying are rare. "Circumstantial evidence of reasonable access is proven in one of two ways: (1) a particular chain of events is established between the plaintiff's work and the defendant's access to that work . . ., or (2) the plaintiff's work has been widely disseminated." *Id.* (citations omitted). Only the first test applies here. Access can be difficult to prove, but is also difficult to disprove. As a result, reasonable access to a plaintiff's work is often conceded, at least for purposes of summary judgment. In this case, however, the Defendants dispute that they had ever seen or heard of, let alone had a reasonable opportunity to view for purposes of copying, "The Shell Game" prior to the writing and production of "Rounders." The Court must therefore gauge Plaintiff's proof that one or more of those Defendants involved in this production had access to his work.

In many cases, the line between a "bare" possibility and a "reasonable" possibility of access is difficult to draw. The question, after all, is not whether Defendants actually read "The Shell Game," but whether they had the "opportunity" to do so. *See Krofft*, 562 F.2d at 1172. However, the Court finds that Defendants did not have access to "The Shell Game." Defendants have demonstrated that there is an utter lack of evidence tending to show that any of them had access to "The Shell Game" before "Rounders" was written and/or produced. Plaintiff's claim of access amounts to sheer speculation.

Generally, there is no evidence that any of the third parties to whom Plaintiff submitted "The Shell Game" actually sent the script to any Defendants. *See* Defs.' Facts ¶ 30; Pl.'s Facts ¶ 30. Plaintiff's assertion that those third parties might

have sent the screenplay to Defendants is speculation and represents no more than a "bare possibility" of access. Plaintiff's strongest argument for access is that McDarrah might have sent "The Shell Game" to Miramax because Gotham had an obligation to send some screenplays to Miramax. However, McDarrah does not recall ever receiving Plaintiff's screenplay, *see* Defs.' Facts ¶ 32; Gotham had no obligation to send this screenplay because it had not acquired an interest in it, *see* Defs.' Facts ¶¶ 33-34; Pl.'s Facts ¶ 34; and there is no evidence that Gotham sent screenplays to Miramax without first acquiring an interest in them. This case is accordingly analogous to this Court's decision in *Meta-Film Assocs., Inc. v. MCA. Inc.*, 586 F.Supp. 1346 (C.D. Cal. 1984). In *Meta-Film*, the Court held that there was no access when, like McDarrah here, Badham, the third-party to whom the copyrighted work was submitted, "had no interest in transmitting information to other Universal employees or executives regarding films that he was not interested in directing. Badham's sole connection with Universal was that he was under contract to the studio with respect to other projects and that he had an office on the Universal lot." 586 F.Supp. at 1357. There is no evidence than the connection between McDarrah and Miramax was any closer than the relationship between Badham and Universal in *Meta-Film*. It is clear that "the plaintiff must show something more than that he sent his work to a director who was under contract to the defendant and had an office on the defendant's lot." *Id.* Plaintiff has not met that burden here.

The cases Plaintiff cites in support of his claim of access are easily distinguishable. In *Moore v Columbia Pictures Industries, Inc.*, 972 F.2d 939, 943 (8th Cir. 1992), the same individual who received copies of the copyrighted work maintained a friendship with the authors of the allegedly infringing work and was the employee of the individual who encouraged to authors to write the infringing work. That is, the corporate connection between the third-party and the

defendant was much closer. Furthermore, the finding of access was supported by the suspicious timing involved in the case: the third-party lost interest in the plaintiff's work on the same day the defendants began writing the allegedly infringing material. *See id.* Similarly, in *Bouchat v. Baltimore Ravens, Inc.*, 228 F.3d 489 (4th Cir. 2000), the third-party was the owner of the corporate defendant who had allegedly infringed the plaintiff's work and there was evidence that another third-party had volunteered to send the plaintiff's work to the defendant. This, too, is a much closer relationship than that demonstrated by Plaintiff in the instant case. And again, there is evidence of suspicious timing. *See id.* at 492. Finally, this Court found sufficient evidence of access to survive summary judgment in its decision in *Rice v. Fox Broadcasting Co.*, 148 F.Supp.2d 1029, 1049-50 (C.D. Cal. 2001). Although the Court was presented with a chain of custody that "require[d] a fair amount of speculation and conjecture," the evidence of access also included Plaintiff's own testimony that he had directly submitted his copyrighted work to the defendants. It was "the combination" of the evidence that was sufficient to show access. *Id.* at 1050. Because there is no evidence of direct submission in this case, *Rice* is inapposite.

Plaintiff's claim of access finds the most support in the Second Circuit's decision in *Gaste v. Kaiserman*, 863 F.2d 1061, 1066-67 (2nd Cir. 1988), in which the court found sufficient proof of access based, in part, on a contract signed between the third-party and the infringing defendant. However, the Second Circuit does not describe the terms of the contract, so it is impossible for the Court to determine what the relationship of the third-party and the defendant was and what obligations the contract created. Accordingly, the Court does not find *Gaste* to be terribly useful.

The evidence demonstrates that this case is most like that faced by this court in *Meta-Film*. There is no evidence that

anyone at Miramax had a "reasonable possibility" of viewing Plaintiff's script. With regard to the other Defendants, Koppelman, Levien, Demme, Stillerman, and Spanky, there is even less proof of access. At most, Plaintiff can demonstrate a "bare possibility" that his script was sent to Miramax. But it is undisputed that Miramax only became involved in "Rounders" after the screenplay was already written. Therefore, there is no evidence at all that the other Defendants had an opportunity to read "The Shell Game" before it was written.

Because there is no proof of access, Defendants are entitled to summary judgment on the copyright infringement claim. The Court will nevertheless proceed to discuss the second element of copyright infringement, substantial similarity.

B. Substantial Similarity: Copying of Protected Elements

Copyright infringement is a measure of the extent to which an allegedly infringing work represents "copying of constituent elements of the work that are original." *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340, 361 (1991). In other words, it is only copying of *copyrightable* elements of a plaintiff's work that is answerable under the federal Copyright Act. "The mere fact that a work is copyrighted does not mean that every element of the work may be protected. Originality remains the *sine qua non* of copyright; accordingly, copyright protection may extend only to those components of a work that are original to the author." *Id.* at 348. Thus, "[n]ot all copying . . . is copyright infringement." *Id.* at 361. Whether original expression has been copied must be considered on a case by case basis.

Therefore, "'[s]ubstantial similarity' refers to similarity of expression, not merely similarity of ideas or concepts." *Dr. Seuss Enterprises, L.P. v. Penguin Books USA, Inc.*, 109 F.3d 1394, 1398 (9th Cir. 1997) (citing 17 U.S.C. § 102(b)). And it is only "protected expression" which is relevant for

purposes of assessing "substantial similarity." *See Shaw v. Lindheim*, 919 F.2d 1353, 1361 (9th Cir. 1990) (as amended). "As we recognized long ago in the case of competing jeweled bee pins, similarities derived from the use of common ideas cannot be protected; otherwise, the first to come up with an idea will corner the market." *Apple Computer, Inc. v. Microsoft Corp.*, 35 F.3d 1435, 1443 (9th Cir. 1994). "[T]he party claiming infringement may place no reliance upon any similarity in expression resulting from 'unprotectable elements.'" *Id.* (quoting, and adding emphasis to, *Aliotti v. R. Dakin & Co.*, 831 F.2d 898, 901 (9th Cir. 1987)). "[T]he unprotectable elements have to be identified, or filtered, before the works can be considered as a whole." *Id.*

The Ninth Circuit uses a two-part test to determine "substantial similarity." First, the "extrinsic" (or "objective") test "objectively considers whether there are substantial similarities in both ideas and expression." *Apple Computer*, 35 F.3d at 1442 (emphasis in original); *see also, e.g., Smart Inventions, Inc. v. Allied Communications Corp.*, 94 F. Supp. 2d 1060, 1065 (C.D. Cal. 2000). Second, the "intrinsic" (or "subjective") test looks for substantial similarity in the "total feel and concept of the works." *Data East, USA Inc. v. Epyx, Inc.*, 862 F.2d 204, 208 (9th Cir. 1988) (citation and internal quotation marks omitted). While courts often engage in "analytic dissection" for the "extrinsic" test, the "intrinsic" test asks "whether the ordinary, reasonable person would find the total concept and feel of the works to be substantially similar." *Three Boys Music*, 212 F.3d at 485.

Only the "extrinsic" test is generally employed at the summary judgment stage, as the "intrinsic" test is generally reserved for the finder of fact. *See, e.g., Kouf v. Walt Disney Pictures & Television*, 16 F.3d 1042, 1045 (9th Cir. 1994); *Three Boys Music*, 212 F.3d at 485. "A plaintiff avoids summary judgment by satisfying the extrinsic test which makes similarity of the works a triable issue of fact. . . . [A]

plaintiff who cannot satisfy the extrinsic test necessarily loses on summary judgment, because a jury may not find substantial similarity without evidence on both the extrinsic and intrinsic tests." *Kouf*, 16 F.3d at 1045. *See Shaw*, 919 F.3d at 1359-61 (creating this rule).

The "extrinsic" test usually requires "analytic dissection," and may be helped by the testimony of experts. *See Three Boys Music*, 212 F.3d at 485; Dr. Seuss Enterprises, 109 F.3d at 1398 n.3 ("'Analytic dissection' focuses on isolated elements of each work to the exclusion of other elements, combination of elements, and expressions therein.") "Analytic dissection" requires breaking the works compared down into their constituent elements, and comparing those elements for proof of copying as measured by "substantial similarity." It is the copyright plaintiff's burden to identify the elements for this comparison. *See, e.g., Three Boys Music*, 212 F.3d at 485 ("Initially, the extrinsic test requires that the plaintiff identify concrete elements based on objective criteria."). Though the elements compared may vary based on the type(s) of works compared, in literary or dramatic works typical objective elements include plot, theme, dialogue, mood, setting, pace, characters, and sequence of events. *See Kouf*, 16 F.3d at 1045; *Shaw*, 919 F.2d at 1359, 1362 (citations omitted); *Smart Inventions*, 94 F. Supp. 2d at 1065. It is these typical literary elements upon which the parties rely for comparison.

In comparing these elements, the Court must filter out any parts of the copyrighted work which are not protected. "Because only those elements of a work that are protectable and used without the author's permission can be compared when it comes to the ultimate question of illicit copying, we use analytic dissection to determine the scope of copyright protection before works are considered 'as a whole.'" *Apple Computer*, 35 F.3d at 1443. First, therefore, "[a]nalytic dissection requires the court to separate unprotectable facts

and ideas from potentially protectable expressions." *Smart Inventions*, 94 F. Supp. 2d at 1065-66; *see Apple Computer*, 35 F.3d at 1443. Second, "the court must then apply the relevant limiting doctrines in the context. of the particular medium involved, through the eyes of the ordinary consumer of that product." *Apple Computer*, 35 F.3d at 1443. These "limiting doctrines" include the "merger" and "*scenes a faire*" doctrines. *See id.* at 1444. Finally, "[h]aving dissected the alleged similarities and considered the range of possible expression, the court must define the scope of the plaintiff's copyright-that is, decide whether the work is entitled to 'broad' or 'thin' protection." *Id.* at 1443. This "scope of protection" sets the appropriate standard for a subjective comparison of the works to determine whether, as a whole, they are sufficiently similar to support a finding of illicit copying. *See id.*

1. Unprotectable Elements and Limiting Doctrines

The Court must therefore, for purposes of the "extrinsic" test, and the "analytic dissection" associated therewith, separate what is protectable in Plaintiff's screenplay from what is not. The Court is bound by the idea vs. expression dichotomy, and by limiting doctrines, in defining the scope of protection to which Plaintiff is entitled.

a. Ideas, Facts, and Other Unprotected Materials

"It is an axiom of copyright law that ideas are not protected." *Smart Inventions*, 94 F. Supp. 2d at 1066; *see Data East*, 862 F.2d at 207; 17 U.S.C. § 102. Only the particular *expression* of an idea is entitled to copyright protection. *See id.* Similarly, facts are not themselves copyrightable, though original compilations/arrangements of facts may be. *See Feist*, 499 U.S. at 347-48. And though obvious, it also bears repeating that an author may claim protection only in those elements of a copyrighted work which are *original* with that author; no protection may adhere in facts, ideas, scenes,

characters, themes, or other elements borrowed from another author, from the "public domain," or which are otherwise not a plaintiff's original expression. *See id.*

b. The "Merger" of Idea With Expression

Separation of idea from expression is made more difficult where an idea and its form(s) of expression necessarily coincide. This is typically the case where there is only one way, or a limited number of ways, to express a particular idea, and the idea is said to "merge" with its expression. "The idea and the expression will coincide [or merge] when the expression provides nothing new or additional over the idea." *Krofft*, 562 F.2d at 1168. In such a case, "[a] high degree of similarity" between an idea and its expression is "inevitable." *Shaw*, 919 F.2d at 1360 (citations omitted). "Where idea and expression are unified, extending copyright protection to the objective elements of expression would grant the copyright holder a monopoly over the ideas expressed in the works, in violation of 17 U.S.C. § 102(b)." *Id.*; *see also Apple Computer*, 35 F.3d at 1443 ("similarities derived from the use of common ideas cannot be protected . . ." under copyright).

c. More Limited Protection for *Scenes à Faire*

Closely related to the "merger" doctrine is the similar doctrine of "*scenes à faire*," or "'scenes which "must" be done.'" 4 *Nimmer* § 13.03 [B] [4] at 13-72 (citation omitted). *Scenes à faire* are forms of expression that are "'as a practical matter indispensable, or at least standard in the treatment of a given [idea].'" *Apple Computer*, 35 F.3d at 1444 (citation and internal quotation marks omitted). *See also* 4 *Nimmer* § 13.03 [B] [4] at 13-73 ("similarity of incidents or plot that necessarily follows from a common theme or setting."). Though what may constitute *scenes à faire* will vary depending on the medium and the subject matter of the particular copyrighted work at issue, the question is whether

that particular expression is so typical of the genre (e.g., a car chase in an action film) as to be "indispensable."

d. Effects of These Limitations on Copyright Liability

The Court must segregate protected elements of the copyrighted work from facts and ideas, elements borrowed from other sources, or other unprotected elements. "When similar works resemble each other only in those unprotected aspects, then defendant prevails . . . When the similarity goes to protected elements, plaintiff prevails." 4 *Nimmer* § 13.03 [B] [2] at 13-58.1 n.136.2. Furthermore, where even the ostensibly protected elements are similar only because an idea has a single or limited number of forms of expression, the Court discounts the significance of these similarities. And where a copyrighted work is composed largely or primarily of unprotected elements, or elements "limited" by "merger" or "*scenes à faire*," it receives "thin" rather than "broad" copyright protection. *See Feist*, 499 U.S. at 357-58; *Apple Computer*, 35 F.3d at 1444; *Sega Enterprises, Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1524 (9th Cir. 1993) (as amended).

Where a copyrighted work is entitled only to "thin" protection, it will be guarded only against "virtual identity," or against "nearly identical copying." *Apple Computer*, 35 F.3d at 1446, 1444. There is a continuum between highly original works entitled to the most "broad" protection available under copyright, at one end, and those works of a primarily factual or functional nature, or in which protected elements are outweighed by the non-protected, or less protected, to which only "thin" protection is afforded, at the other. *See id.* at 1446-47. "Which end of the continuum a particular work falls on is a call that must be made case by case." *Id.* at 1447. The less original, or non-necessary, components there are, the closer to identical an allegedly infringing work must be before it may be a basis for copyright suit.

See also Harper House, Inc. v. Thomas Nelson, Inc., 889 F.2d 197, 207-08 (9th Cir. 1989); *Frybarger v. International Business Machines Corp.*, 812 F.2d 525, 529-30 (9th Cir. 1987); *Landsberg v. Scrabble Crossword Game Players, Inc.*, 736 F.2d 485, 488 (9th Cir. 1984).

2. Comparison of Plaintiff's and Defendants' Works

With these principles in mind, the Court therefore engages in an "analytic dissection" and comparison of the works at hand, to assess whether Defendants' film, "Rounders," is so substantially similar to Plaintiff's screenplay as to support a finding of illicit copying. Obviously, in the abstract there is some level of similarity between two scripts involving underground poker clubs and the World Series of Poker. *See Berkic v. Crichton*, 761 F.2d 1289, 1293 (9th Cir. 1985) ("At a very high level of generality, the works do show a certain gruesome similarity."). However, what is important is whether the protectable "concrete elements" thereof are sufficiently similar. *See id.*

In this case the Court concludes, as did the trial and appellate courts in *Berkic*, that they are not. *See id.* at 1293-94. Summary judgment is not highly favored on issues of substantial similarity in copyright cases. *See Smith v. Jackson*, 84 F.3d 1213, 1218 (9th Cir. 1996); *Shaw*, 919 F.2d at 1355. However, nor is summary judgment on this issue either prohibited or subjected to a "heightened standard." *See Kouf*, 16 F.3d at 1045 n.3 (9th Cir. 1994). Instead, "summary judgment is appropriate if 'no reasonable juror could find substantial similarity of ideas and expression[,]' viewing the evidence in the light most favorable to the nonmoving party." *Id.* at 1045. Summary judgment may be particularly appropriate where a court determines that a substantial portion of a copyrighted work is non-protected, or subject to limiting doctrines. *See Shaw*, 919 F.2d at 1361 ("Where idea and expression merge, a court is well-suited to make the required determination of similarity on a motion for summary

judgment."). Where a court determines, through analytic dissection and application of limiting doctrines, that the work in question contains less original expression than it might at first appear, and is therefore entitled to something less than "broad" protection under the Copyright Act, it is appropriate for the Court to apply these doctrines in the context of a summary judgment.

The Court's "analytic dissection" of "The Shell Game" according to its constituent elements proceeds in the order in which those elements are argued by the parties. Accordingly, the Court hereunder compares "The Shell Game" and "Rounders" for substantial similarity in "genre, mood and pace," "theme," "setting," "characters," "plot and sequence of events," and "dialogue and terminology."[8]

a. The Genre, Mood, and Pace

The genre, mood, and pace of the two screenplays are not substantially similar. Plaintiff contends that both scripts "show the grittier side of the high-stakes poker world." Opp'n at 16-17. This is merely an idea that could be expressed in many ways. Accordingly, it is not entitled to copyright protection. *See Kouf*, 16 F.3d at 1045 ("We attach no significance to the fact that both works involve a life struggle of kids fighting insurmountable dangers . . . ."); *Olson v. National Broadcasting Co., Inc.*, 855 F.2d 1446, 1450 (9th Cir. 1988) ("'The A-Team' and Olson's works share a common idea: Both are group action-adventure series designed to show Vietnam veterans in a positive light. This idea, standing alone, is not protectable."); *Berkic*, 761 F.2d at 1293 ("No one can own the basic idea for a story. General ideas are not protected by copyright law . . . ."). The pace of the two scripts is strikingly different, as Plaintiff's takes place during a single weekend, while "Rounders" takes place over the course of a year. Finally, the mood of the two screenplays

[8] The Court did not rely upon Dr. Rose's declaration in its analysis.

is not substantially similar. "The Shell Game" could best be described as an action/comedy crime caper, primarily concerned with sex, drugs, and violence; while "Rounders" is a drama about an individual's crucial life-changing decision, in which violence plays a peripheral role. *Cf. Kouf*, 16 F.3d at 1045 ("'Honey, I Shrunk the Kids' is a lighthearted family adventure story that takes place almost entirely at the family homes and in a 24-hour period; 'The Formula' is a darker adventure that spans a series of days and depicts many locations and a shoot-out.").

b. The Theme

Throughout his Opposition, Plaintiff presents a list of alleged similarities between the two screenplays, including their themes. *See* Opp'n at 18-19. Plaintiff cannot generate similarity with a random list of elements. *See, e.g., Litchfield v. Spielberg*, 736 F.2d 1352, 1356 (9th Cir. 1984) (explaining that lists of similarities "are inherently subjective and unreliable. We are particularly cautious where, as here, the list emphasizes random similarities scattered throughout the works"). Furthermore, most of the items on the theme list are not copyrightable. The game of Texas Hold'em, its rules, and its strategies, *see* Opp'n at 18:10-11, 14-15, 22-25, 19:3-6, are in the public domain. Likewise, use of historical footage of poker great Johnny Chan is not protected. *See Chase-Riboud v. Dreamworks, Inc.*, 987 F.Supp. 1222, 1229 (C.D. Cal. 1997) ("Plaintiff has no protectable interest in 'historical and factual items.'") (citation omitted).

The Court finds that the two films do not have substantially similar themes; and in neither case is the theme actually poker. The theme of "Rounders" is pursuing one's dream or passion: the main character decides to forsake the straight and narrow, secure path of law school to pursue the risky, unpredictable world of professional poker. The Court has not discerned an overarching theme in "The Shell Game." The primary character in "The Shell Game" is not concerned at all

with his future. He plays poker to get a quick high and make a quick buck. The screenplays do share a secondary theme, a love story; but the love stories are not substantially similar. In "Rounders," Mike's choice to pursue poker requires giving up his girlfriend forever. In contrast, the lovers in "The Shell Game" reunite in the end, despite having had affairs with others throughout the screenplay.

c. The Setting

The setting of the two screenplays is not substantially similar. While both scripts feature scenes in underground card clubs and on campuses, that similarity does not rise to a level that could be considered "substantial." "The Shell Game" features early scenes in a Los Angeles club, but primarily takes place in large Las Vegas hotels and casinos. In contrast, "Rounders" takes place almost entirely in underground card clubs in and around New York City, with only a single scene in a large, Atlantic City casino. *Cf.*, *Berkic*, 761 F.2d at 1293 ("The settings of both works are also dissimilar. Most of the events in *Coma* take place in a large metropolitan hospital. Only a few, relatively minor scenes in *Reincarnation* are set in a hospital."). Furthermore, because both screenplays are about poker, in a general sense, the settings of card clubs and casinos are *scenes à faire*.

d. The Characters

Ordinarily, characters cannot be copyrighted. *See Chase-Riboud*, 987 F.Supp. at 1228 (citing *Warner Bros. Pictures, Inc. v. Columbia Broadcasting Sys., Inc.*, 216 F.2d 945, 950 (9th Cir. 1954)). However, in two limited circumstances, characters are copyrightable apart from the copyrighted work in which he or she (or it) appears. A character must either be "the story being told" or, for visually depicted characters, be "sufficiently delineated" or fleshed out to warrant separate protection. *See Toho Co., Ltd. v. William Morrow & Co., Inc.*, 33 F.Supp.2d 1206, 1215-16 (C.D. Cal. 1998); *Metro-*

Goldwyn-Mayer, Inc. v. American Honda Motor Co., Inc., 900 F. Supp. 1287, 1295-96 (C.D. Cal. 1995). However, this requires significant *development* of the character. "[T]he less developed the characters, the less they can be copyrighted; that is the penalty an author must bear for marking them too indistinctly." *Olson*, 855 F.2d at 1452 (alteration in original) (citation omitted). Because "The Shell Game" has not been produced visually, only the "story being told" test applies.

In "The Shell Game," only one character, Jack, is actually "the story being told." The other characters are mere supporting players. Even Jack is not copyrightable, as he is too "lightly sketched." Olson, 855 F.2d at 1452. Jack is described in just two lines as: "Twenty-something student. Dreamer. Schemer. Disorganised (sic) and irresponsible but bright and creative." *Cf. Olson*, 855 F.2d at 1452 ("The 'Cargo' characters are depicted only by three- or four-line summaries in the 'Cargo' treatment and screenplay, plus whatever insight into their characters may be derived from their dialogue and action"); *see also Chase-Riboud*, 987 F.Supp. at 1228 ("a general skeleton . . . of such a literary character cannot suffice to establish a character that is 'especially distinctive'"). And even if he were copyrightable, Jack is not substantially similar to Mike, the main character in "Rounders." Using a poker-playing student as the main character is an unprotectable idea. Furthermore, at a basic level, the two characters are entirely different. Jack is out to make easy money and is involved in a scheme to steal one million dollars. In marked contrast, Mike spends much of "Rounders" trying to convince his friend Worm to play poker honestly. While Jack is a dreamer and a schemer, Mike, a more developed character, is deeply conflicted about his path in life. Jack has no such qualms about his unsavory activities.

Even if the other characters were copyrightable, there is no substantial similarity between the primary supporting characters in the two scripts. The two characters named Worm

bear no resemblance to each other at all. *Cf. Kouf*, 16 F.3d at 1046 ("the 'Thompson' in 'Honey, I Shrunk the Kids' is a concerned father and neighbor, and he is a gangster in 'The Formula'"). Likewise, the two girlfriends bear no resemblance to each other. While Mike's girlfriend Jo, a law student, is traditional, responsible, and ambitious, Jack's girlfriend Jill is involved in the schemes, violence, and sexual escapades that make up "The Shell Game." The two best friends, Dicky in "The Shell Game" and Worm in "Rounders" are the most similar, as both are irresponsible and scheming. But this single parallel between the screenplays is insufficient to show substantial similarity among the characters. In general, the Court views the characters in "The Shell Game" as caricatures or parodies of the type of individuals portrayed in "Rounders."

Lastly, as noted above, the use of Johnny Chan is simply unprotected.

e. The Plot and Sequence of Events

Plaintiff's list of plot similarities is nothing more than a list of random events. *Cf. Olson*, 855 F.2d at 1450 ("While some episodes of 'The A-Team' may have included some of the plot incidents presented in 'Cargo,' such similarities were insufficient to constitute the type of congruence of plot relevant to the substantial similarity inquiry."). The plot and sequence of events of the two screenplays are not substantially similar.

In "The Shell Game," after Jack's poker winnings are stolen, he and his college friends embark on a roadtrip from Pepperdine University in Malibu, California, to Las Vegas. The group becomes embroiled in two schemes, with several dangerous—but comic—bad gangster-like characters, to steal a million dollars in World Series of Poker prize money. Jack's friend Dicky wins the tournament by cheating, and Jack tricks the gangsters out of the winnings. In the end, Jack

and his girlfriend, along with their friends, return to campus and Jack and Jill become engaged.

In "Rounders," by contrast, Mike loses his savings in a poker game against a master player and gives up the game to return to law school, a more traditional, responsible lifestyle. Mike is lured back into the game to save his conniving best friend, Worm, who is in danger of being killed for not paying his gambling losses. Playing honestly, Mike wins and loses more money in a series of games, and eventually beats the master player in a rematch, winning enough money to pay off Worm's debts. "Rounders" ends with Mike's decision to pursue a professional poker career. As a result of his return to poker, however, Mike must give up his relationship with his girlfriend. It is clear to the Court that the plots do not parallel each other.

f. The Dialogue and Terminology

To be substantially similar, dialogue must share more than random words. *See Kouf*, 16 F.3d at 1046. *Cf. Olson*, 855 F.2d at 1450 ("Nor has Olson demonstrated the type of extended dialogue needed to support a claim of substantial similarity based upon this issue."). Plaintiff has not alleged Defendants' use of similar dialogue. Plaintiff's use of poker terminology and street slang in "The Shell Game" is not protected.

CONCLUSION

For these reasons, the Court concludes that there are no triable issues of fact as to whether Defendants had access to Plaintiff's work or as to Plaintiff's ability to satisfy the "extrinsic" test for "substantial similarity," and hence copyright infringement.[9] Defendants' did not have access to

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[9] Although it is not necessary in analyzing Moving Defendants' Copyright Motion, the Court also concludes that there is no triable issue of fact as to "substantial similarity" in the "total concept and feel" of the two

Plaintiff's screenplay, and the film simply is not substantially similar to Plaintiff's screenplay. Accordingly, the Court hereby GRANTS Defendants' Motion for Summary Judgment.

DATED: NOV 5 2001

/s/ Audrey B. Collins
AUDREY B. COLLINS
UNITED STATES DISTRICT JUDGE

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works, based on its filtration of those elements of Plaintiff's work that cannot be considered for purposes of assessing similarity "as a whole." Therefore, the Court independently also finds that Plaintiff has not satisfied the "intrinsic" test.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CASE NO. CV 99-10930 ABC (AIJx)
HON. AUDREY B. COLLINS

JEFF GROSSO, an individual,
Plaintiff,

v.

MIRAMAX FILM CORP., *et al.*,
Defendants.

Filed Nov. 14, 2001

ORDER GRANTING SUMMARY JUDGMENT

The motion of defendants Miramax Films Corp., Spanky Pictures, Inc., Brian Koppelman, David Levien, Ted Demme and Joel Stillerman (collectively "defendants") came on for hearing before the Court on November 5, 2001, Honorable Audrey B. Collins, District Judge presiding. Appearing for defendants was Richard L. Charnley, Esq. Appearing for plaintiff Jeff Grosso was Keith Crouch, Esq.

After reviewing the moving papers and the evidence in support thereof, after reviewing the opposing papers and the evidence in support thereof, and after hearing argument of counsel for each of the parties,

IT IS HEREBY ORDERED that the motion is GRANTED.

NOVEMBER 9 2001

/s/ Audrey B. Collins
AUDREY B. COLLINS
JUDGE U.S. DISTRICT COURT

PROPOSED JUDGMENT SUBMITTED
BY /s/ _____
RICHARD L. CHARNLEY, ESQ.

APPENDIX F

UNITED STATES CODE ANNOTATED
CONSTITUTION OF THE UNITED STATES
ANNOTATED
ARTICLE I—THE CONGRESS

Section 8, Clause 8. Patents and Copyrights

To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries;

Current through P.L. 109-13, approved 05-11-05

APPENDIX G

UNITED STATES CODE ANNOTATED
CONSTITUTION OF THE UNITED STATES
ANNOTATED
ARTICLE VI—DEBTS VALIDATED—SUPREME LAW OF LAND—OATH OF OFFICE

Clause 2. Supreme Law of Land

This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.

Current through P.L. 109-12, approved 05/05/05

APPENDIX H

UNITED STATES CODE ANNOTATED
TITLE 17. COPYRIGHTS
CHAPTER 1—SUBJECT MATTER AND SCOPE OF COPYRIGHT

§ 101. Definitions

Except as otherwise provided in this title, as used in this title, the following terms and their variant forms mean the following:

An "anonymous work" is a work on the copies or phonorecords of which no natural person is identified as author.

An "architectural work" is the design of a building as embodied in any tangible medium of expression, including a building, architectural plans, or drawings. The work includes the overall form as well as the arrangement and composition of spaces and elements in the design, but does not include individual standard features.

"Audiovisual works" are works that consist of a series of related images which are intrinsically intended to be shown by the use of machines, or devices such as projectors, viewers, or electronic equipment, together with accompanying sounds, if any, regardless of the nature of the material objects, such as films or tapes, in which the works are embodied.

The "Berne Convention" is the Convention for the Protection of Literary and Artistic Works, signed at Berne, Switzerland, on September 9, 1886, and all acts, protocols, and revisions thereto.

The "best edition" of a work is the edition, published in the United States at any time before the date of deposit, that the Library of Congress determines to be most suitable for its purposes.

A person's "children" are that person's immediate offspring, whether legitimate or not, and any children legally adopted by that person.

A "collective work" is a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole.

A "compilation" is a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship. The term "compilation" includes collective works.

A "computer program" is a set of statements or instructions to be used directly or indirectly in a computer in order to bring about a certain result.

"Copies" are material objects, other than phonorecords, in which a work is fixed by any method now known or later developed, and from which the work can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term "copies" includes the material object, other than a phonorecord, in which the work is first fixed.

A "Copyright Royalty Judge" is a Copyright Royalty Judge appointed under *section 802* of this title, and includes any individual serving as an interim Copyright Royalty Judge under such section.

"Copyright owner", with respect to any one of the exclusive rights comprised in a copyright, refers to the owner of that particular right.

A work is "created" when it is fixed in a copy or phonorecord for the first time; where a work is prepared over a period of time, the portion of it that has been

fixed at any particular time constitutes the work as of that time, and where the work has been prepared in different versions, each version constitutes a separate work.

A "derivative work" is a work based upon one or more preexisting works, such as a translation, musical arrangement, dramatization, fictionalization, motion picture version, sound recording, art reproduction, abridgment, condensation, or any other form in which a work may be recast, transformed, or adapted. A work consisting of editorial revisions, annotations, elaborations, or other modifications which, as a whole, represent an original work of authorship, is a "derivative work".

A "device", "machine", or "process" is one now known or later developed.

A "digital transmission" is a transmission in whole or in part in a digital or other non-analog format.

To "display" a work means to show a copy of it, either directly or by means of a film, slide, television image, or any other device or process or, in the case of a motion picture or other audiovisual work, to show individual images nonsequentially.

An "establishment" is a store, shop, or any similar place of business open to the general public for the primary purpose of selling goods or services in which the majority of the gross square feet of space that is nonresidential is used for that purpose, and in which nondramatic musical works are performed publicly.

A "food service or drinking establishment" is a restaurant, inn, bar, tavern, or any other similar place of business in which the public or patrons assemble for the primary purpose of being served food or drink, in which the majority of the gross square feet of space that is nonresidential is used for that purpose, and in which nondramatic musical works are performed publicly.

The term "financial gain" includes receipt, or expectation of receipt, of anything of value, including the receipt of other copyrighted works.

A work is "fixed" in a tangible medium of expression when its embodiment in a copy or phonorecord, by or under the authority of the author, is sufficiently permanent or stable to permit it to be perceived, reproduced, or otherwise communicated for a period of more than transitory duration. A work consisting of sounds, images, or both, that are being transmitted, is "fixed" for purposes of this title if a fixation of the work is being made simultaneously with its transmission.

The "Geneva Phonograms Convention" is the Convention for the Protection of Producers of Phonograms Against Unauthorized Duplication of Their Phonograms, concluded at Geneva, Switzerland, on October 29, 1971.

The "gross square feet of space" of an establishment means the entire interior space of that establishment, and any adjoining outdoor space used to serve patrons, whether on a seasonal basis or otherwise.

The terms "including" and "such as" are illustrative and not limitative.

An "international agreement" is—

(1) the Universal Copyright Convention;

(2) the Geneva Phonograms Convention;

(3) the Berne Convention;

(4) the WTO Agreement;

(5) the WIPO Copyright Treaty;

(6) the WIPO Performances and Phonograms Treaty; and

(7) any other copyright treaty to which the United States is a party.

A "joint work" is a work prepared by two or more authors with the intention that their contributions be merged into inseparable or interdependent parts of a unitary whole.

"Literary works" are works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia, regardless of the nature of the material objects, such as books, periodicals, manuscripts, phonorecords, film, tapes, disks, or cards, in which they are embodied.

"Motion pictures" are audiovisual works consisting of a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any.

The term "motion picture exhibition facility" means a movie theater, screening room, or other venue that is being used primarily for the exhibition of a copyrighted motion picture, if such exhibition is open to the public or is made to an assembled group of viewers outside of a normal circle of a family and its social acquaintances.

To "perform" a work means to recite, render, play, dance, or act it, either directly or by means of any device or process or, in the case of a motion picture or other audiovisual work, to show its images in any sequence or to make the sounds accompanying it audible.

A "performing rights society" is an association, corporation, or other entity that licenses the public performance of nondramatic musical works on behalf of copyright owners of such works, such as the American Society of Composers, Authors and Publishers (ASCAP), Broadcast Music, Inc. (BMI), and SESAC, Inc.

"Phonorecords" are material objects in which sounds, other than those accompanying a motion picture or other audiovisual work, are fixed by any method now known or later developed, and from which the sounds can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. The term "phonorecords" includes the material object in which the sounds are first fixed.

"Pictorial, graphic, and sculptural works" include two-dimensional and three-dimensional works of fine, graphic, and applied art, photographs, prints and art reproductions, maps, globes, charts, diagrams, models, and technical drawings, including architectural plans. Such works shall include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned; the design of a useful article, as defined in this section, shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that can be identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.

For purposes of *section 513*, a "proprietor" is an individual, corporation, partnership, or other entity, as the case may be, that owns an establishment or a food service or drinking establishment, except that no owner or operator of a radio or television station licensed by the Federal Communications Commission, cable system or satellite carrier, cable or satellite carrier service or programmer, provider of online services or network access or the operator of facilities therefor, telecomunications company, or any other such audio or audiovisual service or programmer now known or as may be developed in the future, commercial subscription music service, or owner or operator of any other transmission service, shall under any circumstances be deemed to be a proprietor.

A "pseudonymous work" is a work on the copies or phonorecords of which the author is identified under a fictitious name.

"Publication" is the distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending. The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication. A public performance or display of a work does not of itself constitute publication.

To perform or display a work "publicly" means—

(1) to perform or display it at a place open to the public or at any place where a substantial number of persons outside of a normal circle of a family and its social acquaintances is gathered; or

(2) to transmit or otherwise communicate a performance or display of the work to a place specified by clause (1) or to the public, by means of any device or process, whether the members of the public capable of receiving the performance or display receive it in the same place or in separate places and at the same time or at different times.

"Registration", for purposes of sections 205(c)(2), 405, 406, 410(d), 411, 412, and 506(e), means a registration of a claim in the original or the renewed and extended term of copyright.

"Sound recordings" are works that result from the fixation of a series of musical, spoken, or other sounds, but not including the sounds accompanying a motion picture or other audiovisual work, regardless of the nature of the material objects, such as disks, tapes, or other phonorecords, in which they are embodied.

"State" includes the District of Columbia and the Commonwealth of Puerto Rico, and any territories to which this title is made applicable by an Act of Congress.

A "transfer of copyright ownership" is an assignment, mortgage, exclusive license, or any other conveyance, alienation, or hypothecation of a copyright or of any of the exclusive rights comprised in a copyright, whether or not it is limited in time or place of effect, but not including a nonexclusive license.

A "transmission program" is a body of material that, as an aggregate, has been produced for the sole purpose of transmission to the public in sequence and as a unit.

To "transmit" a performance or display is to communicate it by any device or process whereby images or sounds are received beyond the place from which they are sent.

A "treaty party" is a country or intergovernmental organization other than the United States that is a party to an international agreement.

The "United States", when used in a geographical sense, comprises the several States, the District of Columbia and the Commonwealth of Puerto Rico, and the organized territories under the jurisdiction of the United States Government.

For purposes of *section 411*, a work is a "United States work" only if—

(1) in the case of a published work, the work is first published—

(A) in the United States;

(B) simultaneously in the United States and another treaty party or parties, whose law grants a term of copyright protection that is the same as or longer than the term provided in the United States;

(C) simultaneously in the United States and a foreign nation that is not a treaty party; or

(D) in a foreign nation that is not a treaty party, and all of the authors of the work are nationals, domiciliaries, or habitual residents of, or in the case of an audiovisual work legal entities with headquarters in, the United States;

(2) in the case of an unpublished work, all the authors of the work are nationals, domiciliaries, or habitual residents of the United States, or, in the case of an unpublished audiovisual work, all the authors are legal entities with headquarters in the United States; or

(3) in the case of a pictorial, graphic, or sculptural work incorporated in a building or structure, the building or structure is located in the United States.

A "useful article" is an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information. An article that is normally a part of a useful article is considered a "useful article".

The author's "widow" or "widower" is the author's surviving spouse under the law of the author's domicile at the time of his or her death, whether or not the spouse has later remarried.

The "WIPO Copyright Treaty" is the WIPO Copyright Treaty concluded at Geneva, Switzerland, on December 20, 1996.

The "WIPO Performances and Phonograms Treaty" is the WIPO Performances and Phonograms Treaty concluded at Geneva, Switzerland, on December 20, 1996.

A "work of visual art" is—

(1) a painting, drawing, print, or sculpture, existing in a single copy, in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author, or, in the case of a sculpture, in multiple cast, carved, or fabricated sculptures of 200 or fewer that are consecutively numbered by the author and bear the signature or other identifying mark of the author; or

(2) a still photographic image produced for exhibition purposes only, existing in a single copy that is signed by the author, or in a limited edition of 200 copies or fewer that are signed and consecutively numbered by the author.

A work of visual art does not include—

(A)(i) any poster, map, globe, chart, technical drawing, diagram, model, applied art, motion picture or other audiovisual work, book, magazine, newspaper, periodical, data base, electronic information service, electronic publication, or similar publication;

(ii) any merchandising item or advertising, promotional, descriptive, covering, or packaging material or container;

(iii) any portion or part of any item described in clause (i) or (ii);

(B) any work made for hire; or

(C) any work not subject to copyright protection under this title.

A "work of the United States Government" is a work prepared by an officer or employee of the United States Government as part of that person's official duties.

A "work made for hire" is—

(1) a work prepared by an employee within the scope of his or her employment; or

(2) a work specially ordered or commissioned for use as a contribution to a collective work, as a part of a motion picture or other audiovisual work, as a translation, as a supplementary work, as a compilation, as an instructional text, as a test, as answer material for a test, or as an atlas, if the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire. For the purpose of the foregoing sentence, a "supplementary work" is a work prepared for publication as a secondary adjunct to a work by another author for the purpose of introducing, concluding, illustrating, explaining, revising, commenting upon, or assisting in the use of the other work, such as forewords, afterwords, pictorial illustrations, maps, charts, tables, editorial notes, musical arrangements, answer material for tests, bibliographies, appendixes, and indexes, and an "instructional text" is a literary, pictorial, or graphic work prepared for publication and with the purpose of use in systematic instructional activities.

In determining whether any work is eligible to be considered a work made for hire under paragraph (2), neither the amendment contained in section 1011(d) of the Intellectual Property and Communications Omnibus Reform Act of 1999, as enacted by section 1000(a)(9) of Public Law 106-113, nor the deletion of the words added by that amendment--

(A) shall be considered or otherwise given any legal significance, or

(B) shall be interpreted to indicate congressional approval or disapproval of, or acquiescence in, any

judicial determination, by the courts or the Copyright Office. Paragraph (2) shall be interpreted as if both section 2(a)(1) of the Work Made For Hire and Copyright Corrections Act of 2000 and section 1011(d) of the Intellectual Property and Communications Omnibus Reform Act of 1999, as enacted by section 1000(a)(9) of Public Law 106-113, were never enacted, and without regard to any inaction or awareness by the Congress at any time of any judicial determinations.

The terms "WTO Agreement" and "WTO member country" have the meanings given those terms in paragraphs (9) and (10), respectively, of section 2 of the Uruguay Round Agreements Act.

Current through P.L. 109-12, approved 05/05/05

United States Code Annotated *Currentness*
Title 17. Copyrights (*Refs & Annos*)
Chapter 1. Subject Matter and Scope of Copyright
(*Refs & Annos*)

§ 102. Subject matter of copyright: In general

(a) Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories:

(1) literary works;

(2) musical works, including any accompanying words;

(3) dramatic works, including any accompanying music;

(4) pantomimes and choreographic works;

(5) pictorial, graphic, and sculptural works;

(6) motion pictures and other audiovisual works;

(7) sound recordings; and

(8) architectural works.

(b) In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

CREDIT(S)

(Pub.L. 94-553, Title I, § 101, Oct. 19, 1976, 90 Stat. 2544; Pub.L. 101-650, Title VII, § 703, Dec. 1, 1990, 104 Stat. 5133.)

United States Code Annotated *Currentness*
Title 17. Copyrights (*Refs & Annos*)
Chapter 1. Subject Matter and Scope of Copyrigh
(*Refs & Annos*)

§ 106. Exclusive rights in copyrighted works

Subject to *sections 107* through *122*, the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

(1) to reproduce the copyrighted work in copies or phonorecords;

(2) to prepare derivative works based upon the copyrighted work;

(3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;

(4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;

(5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and

(6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

CREDIT(S)

(Pub.L. 94-553, Title I, § 101, Oct. 19, 1976, 90 Stat. 2546; Pub.L. 101-318, § 3(d), July 3, 1990, 104 Stat. 288; Pub.L. 101-650, Title VII, § 704(b)(2), Dec. 1, 1990, 104 Stat. 5134; Pub.L. 104-39, § 2, Nov. 1, 1995, 109 Stat. 336; Pub.L. 106-44, § 1(g)(2), Aug. 5, 1999, 113 Stat. 222; Pub.L. 107-273, Div. C, Title III, § 13210(4)(A), Nov. 2, 2002, 116 Stat. 1909.)

United States Code Annotated *Currentness*
Title 17. Copyrights (*Refs & Annos*)
Chapter 3. Duration of Copyright (*Refs & Annos*)

§ 301. Preemption with respect to other laws

(a) On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by *section 106* in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by *sections 102* and *103*, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any State.

(b) Nothing in this title annuls or limits any rights or remedies under the common law or statutes of any State with respect to—

(1) subject matter that does not come within the subject matter of copyright as specified by *sections 102* and *103*, including works of authorship not fixed in any tangible medium of expression; or

(2) any cause of action arising from undertakings commenced before January 1, 1978;

(3) activities violating legal or equitable rights that are not equivalent to any of the exclusive rights within the general scope of copyright as specified by *section 106*; or

(4) State and local landmarks, historic preservation, zoning, or building codes, relating to architectural works protected under *section 102(a)(8)*.

(c) With respect to sound recordings fixed before February 15, 1972, any rights or remedies under the common law or statutes of any State shall not be annulled or limited by this

title until February 15, 2067. The preemptive provisions of subsection (a) shall apply to any such rights and remedies pertaining to any cause of action arising from undertakings commenced on and after February 15, 2067. Notwithstanding the provisions of *section 303*, no sound recording fixed before February 15, 1972, shall be subject to copyright under this title before, on, or after February 15, 2067.

(d) Nothing in this title annuls or limits any rights or remedies under any other Federal statute.

(e) The scope of Federal preemption under this section is not affected by the adherence of the United States to the Berne Convention or the satisfaction of obligations of the United States thereunder.

(f)(1) On or after the effective date set forth in section 610(a) of the Visual Artists Rights Act of 1990, all legal or equitable rights that are equivalent to any of the rights conferred by *section 106A* with respect to works of visual art to which the rights conferred by *section 106A* apply are governed exclusively by *section 106A* and *section 113(d)* and the provisions of this title relating to such sections. Thereafter, no person is entitled to any such right or equivalent right in any work of visual art under the common law or statutes of any State.

(2) Nothing in paragraph (1) annuls or limits any rights or remedies under the common law or statutes of any State with respect to—

(A) any cause of action from undertakings commenced before the effective date set forth in section 610(a) of the Visual Artists Rights Act of 1990;

(B) activities violating legal or equitable rights that are not equivalent to any of the rights conferred by *section 106A* with respect to works of visual art; or

(C) activities violating legal or equitable rights which extend beyond the life of the author.

CREDIT(S)

(Pub.L. 94-553, Title I, § 101, Oct. 19, 1976, 90 Stat. 2572; Pub.L. 100-568, § 6, Oct. 31, 1988, 102 Stat. 2857; Pub.L. 101-650, Title VI, § 605, Title VII, § 705, Dec. 1, 1990, 104 Stat. 5131, 5134; Pub.L. 105-298, Title I, § 102(a), Oct. 27, 1998, 112 Stat. 2827.)

UNITED STATES CODE ANNOTATED
TITLE 17. COPYRIGHTS
CHAPTER 5—COPYRIGHT INFRINGEMENT AND REMEDIES

§ 501. Infringement of copyright

(a) Anyone who violates any of the exclusive rights of the copyright owner as provided by *sections 106* through *122* or of the author as provided in *section 106A(a)*, or who imports copies or phonorecords into the United States in violation of *section 602*, is an infringer of the copyright or right of the author, as the case may be. For purposes of this chapter (other than *section 506*), any reference to copyright shall be deemed to include the rights conferred by *section 106A(a)*. As used in this subsection, the term "anyone" includes any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this title in the same manner and to the same extent as any nongovernmental entity.

(b) The legal or beneficial owner of an exclusive right under a copyright is entitled, subject to the requirements of *section 411*, to institute an action for any infringement of that particular right committed while he or she is the owner of it. The court may require such owner to serve written notice of the action with a copy of the complaint upon any person shown, by the records of the Copyright Office or otherwise, to have or claim an interest in the copyright, and shall require that such notice be served upon any person whose interest is likely to be affected by a decision in the case. The court may require the joinder, and shall permit the intervention, of any person having or claiming an interest in the copyright.

(c) For any secondary transmission by a cable system that embodies a performance or a display of a work which is

actionable as an act of infringement under *subsection (c) of section 111*, *a* television broadcast station holding a copyright or other license to transmit or perform the same version of that work shall, for purposes of subsection (b) of this section, be treated as a legal or beneficial owner if such secondary transmission occurs within the local service area of that television station.

(d) For any secondary transmission by a cable system that is actionable as an act of infringement pursuant to *section 111(c)(3)*, the following shall also have standing to sue: (i) the primary transmitter whose transmission has been altered by the cable system; and (ii) any broadcast station within whose local service area the secondary transmission occurs.

(e) With respect to any secondary transmission that is made by a satellite carrier of a performance or display of a work embodied in a primary transmission and is actionable as an act of infringement under *section 119(a)(5)*, a network station holding a copyright or other license to transmit or perform the same version of that work shall, for purposes of subsection (b) of this section, be treated as a legal or beneficial owner if such secondary transmission occurs within the local service area of that station.

(f)(1) With respect to any secondary transmission that is made by a satellite carrier of a performance or display of a work embodied in a primary transmission and is actionable as an act of infringement under *section 122*, a television broadcast station holding a copyright or other license to transmit or perform the same version of that work shall, for purposes of subsection (b) of this section, be treated as a legal or beneficial owner if such secondary transmission occurs within the local market of that station.

(2) A television broadcast station may file a civil action against any satellite carrier that has refused to carry television broadcast signals, as required under *section*

122(a)(2), to enforce that television broadcast station's rights under section 338(a) of the Communications Act of 1934.

Current through P.L. 109-12, approved 05/05/05

UNITED STATES CODE ANNOTATED
TITLE 17. COPYRIGHTS
CHAPTER 5—COPYRIGHT INFRINGEMENT
AND REMEDIES

§ 504. Remedies for infringement: Damages and profits

(a) In General.--Except as otherwise provided by this title, an infringer of copyright is liable for either—

(1) the copyright owner's actual damages and any additional profits of the infringer, as provided by subsection (b); or

(2) statutory damages, as provided by subsection (c).

(b) Actual Damages and Profits.—The copyright owner is entitled to recover the actual damages suffered by him or her as a result of the infringement, and any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages. In establishing the infringer's profits, the copyright owner is required to present proof only of the infringer's gross revenue, and the infringer is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work.

(c) Statutory Damages.—

(1) Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than $750 or more than $30,000 as the court considers just. For the purposes of this subsection, all the parts of a compilation or derivative work constitute one work.

(2) In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $150,000. In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum of not less than $200. The court shall remit statutory damages in any case where an infringer believed and had reasonable grounds for believing that his or her use of the copyrighted work was a fair use under *section 107*, if the infringer was: (i) an employee or agent of a nonprofit educational institution, library, or archives acting within the scope of his or her employment who, or such institution, library, or archives itself, which infringed by reproducing the work in copies or phonorecords; or (ii) a public broadcasting entity which or a person who, as a regular part of the nonprofit activities of a public broadcasting entity (as defined in *subsection (g) of section 118*) infringed by performing a published nondramatic literary work or by reproducing a transmission program embodying a performance of such a work.

(3)(A) In a case of infringement, it shall be a rebuttable presumption that the infringement was committed willfully for purposes of determining relief if the violator, or a person acting in concert with the violator, knowingly provided or knowingly caused to be provided materially false contact information to a domain name registrar, domain name registry, or other domain name registration authority in registering, maintaining, or renewing a domain name used in connection with the infringement.

(B) Nothing in this paragraph limits what may be considered willful infringement under this subsection.

(C) For purposes of this paragraph, the term "domain name" has the meaning given that term in section 45 of the Act entitled "An Act to provide for the registration and protection of trademarks used in commerce, to carry out the provisions of certain international conventions, and for other purposes" approved July 5, 1946 (commonly referred to as the "Trademark Act of 1946"; *15 U.S.C. 1127*).

(d) Additional damages in certain cases.—In any case in which the court finds that a defendant proprietor of an establishment who claims as a defense that its activities were exempt under *section 110(5)* did not have reasonable grounds to believe that its use of a copyrighted work was exempt under such section, the plaintiff shall be entitled to, in addition to any award of damages under this section, an additional award of two times the amount of the license fee that the proprietor of the establishment concerned should have paid the plaintiff for such use during the preceding period of up to 3 years.

Current through P.L. 109-12, approved 05/05/05

APPENDIX I

P.L. 94-553, COPYRIGHTS ACT
Senate Report (Judiciary Committee) No. 94-473,
Nov. 20, 1975 (To accompany S. 22)
House Report (Judiciary Committee) No. 94-1476,
Sept. 3, 1976 (To accompany S. 22)
House Conference Report No. 94-1733,
Sept. 29, 1976 (To accompany S. 22)
Cong. Record Vol. 122 (1976)
DATES OF CONSIDERATION AND PASSAGE
Senate February 19, September 30, 1976
House September 22, 30, 1976
The House Report and the
House Conference Report are set out.

HOUSE REPORT NO. 94-1476

Sept. 3, 1976

The Committee on the Judiciary, to whom was referred the bill (S. 22) for the general revision of the copyright law, title 17 of the United States Code, and for other purposes, having considered the same, report favorably thereon with an amendment in the nature of a substitute and recommend that the bill as amended do pass.

PURPOSE

The purpose of the proposed legislation, as amended, is to provide for a general revision of the United States Copyright Law, title 17 of the United States Code.

[EXCERPT OF PAGES 5745-5746]

SECTION 301. FEDERAL PREEMPTION OF RIGHTS EQUIVALENT TO COPYRIGHT

Single Federal system

Section 301, one of the bedrock provisions of the bill, would accomplish a fundamental and significant change in

the present law. Instead of a dual system of 'common law copyright' for unpublished works and statutory copyright for published works, which has been the system in effect in the United States since the first copyright statute in 1790, the bill adopts a single system of Federal statutory copyright from creation. Under section 301 a work would obtain statutory protection as soon as it is 'created' or, as that term is defined in *section 101*, when it is 'fixed in a copy or phonorecord for the first time.' Common law copyright protection for works coming within the scope of the statute would be abrogated, and the concept of publication would lose its all-embracing importance as a dividing line between common law and statutory protection and between both of these forms of legal protection and the public domain.

By substituting a single Federal system for the present anachronistic, uncertain, impractical, and highly complicated dual system, the bill would greatly improve the operation of the copyright law and would be much more effective in carrying out the basic constitutional aims of uniformity and the promotion of writing and scholarship. The main arguments in favor of a single Federal system can be summarized as follows:

1. One of the fundamental purposes behind the copyright clause of the Constitution, as shown in Madison's comments in The Federalist, was to promote national uniformity and to avoid the practical difficulties of determining and enforcing an author's rights under the differing laws and in the separate courts of the various States. Today, when the methods for dissemination of an author's work are incomparably broader and faster than they were in 1789, national uniformity in copyright protection is even more essential than it was then to carry out the constitutional intent.

2. 'Publication,' perhaps the most important single concept under the present law, also represents its most

serious defect. Although at one time, when works were disseminated almost exclusively through printed copies, 'publication' could serve as a practical dividing line between common law and statutory protection, this is no longer true. With the development of the 20th-century communications revolution, the concept of publication has become increasingly artificial and obscure. To cope with the legal consequences of an established concept that has lost much of its meaning and justification, the courts have given 'publication' a number of diverse interpretations, some of them radically different. Not unexpectedly, the results in individual cases have become unpredictable and often unfair. A single Federal system would help to clear up this chaotic situation.

3. Enactment of section 301 would also implement the 'limited times' provision of the Constitution, which has become distorted under the traditional concept of 'publication.' Common law protection in 'unpublished ' works is now perpetual, no matter how widely they may be disseminated by means other than 'publication'; the bill would place a time limit on the duration of exclusive rights in them. The provision would also aid scholarship and the dissemination of historical materials by making unpublished, undisseminated manuscripts available for publication after a reasonable period.

4. Adoption of a uniform national copyright system would greatly improve international dealings in copyrighted material. No other country has anything like our present dual system. In an era when copyrighted works can be disseminated instantaneously to every country on the globe, the need for effective international copyright relations, and the concomitant need for national uniformity, assume ever greater importance.

Under section 301, the statute would apply to all works created after its effective date, whether or not they are ever

published or disseminated. With respect to works created before the effective date of the statute and still under common law protection, section 303 of the statute would provide protection from that date on, and would guarantee a minimum period of statutory copyright.

Preemption of State law

The intention of section 301 is to preempt and abolish any rights under the common law or statutes of a State that are equivalent to copyright and that extend to works coming within the scope of the Federal copyright law. The declaration of this principle in section 301 is intended to be stated in the clearest and most unequivocal language possible, so as to foreclose any conceivable misinterpretation of its unqualified intention that Congress shall act preemptively, and to avoid the development of any vague borderline areas between State and Federal protection.

Under section 301(a) all 'legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as specified by section 106 are governed exclusively by the Federal copyright statute if the works involved are 'works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103.' All corresponding State laws, whether common law or statutory, are preempted and abrogated. Regardless of when the work was created and whether it is published or unpublished, disseminated or undisseminated, in the public domain or copyrighted under the Federal statute, the States cannot offer it protection equivalent to copyright. *Section 1338 of title 28, United States Code*, also makes clear that any action involving rights under the Federal copyright law would come within the exclusive jurisdiction of the Federal courts. The preemptive effect of section 301 is limited to State laws; as stated expressly in subsection (d) of section 301, there is no

intention to deal with the question of whether Congress can or should offer the equivalent of copyright protection under some constitutional provision other than the patent-copyright clause of article 1, section 8.

APPENDIX J

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

Case No. 99-10930 ABC (AIJx)

JEFF GROSSO,

Plaintiff,

vs.

MIRAMAX FILM CORP, A New York Corporation, MIRAMAX BOOKS, A New York Corporation, SPANKY PICTURES, A New York Corporation, DAVID LEVIEN, an individual, BRIAN KOPPELMAN, an individual, TED DEMME, an individual, JOEL STILLERMAN, an individual, and DOES 1-100, inclusive,

Defendant.

FIRST AMENDED COMPLAINT FOR
(1) BREACH OF IMPLIED CONTRACT,
(2) COPYRIGHT INFRINGEMENT

JURY TRIAL DEMANDED

INTRODUCTION

This is a breach of implied contract and copyright infringement action arising out of Defendants' unauthorized use of Plaintiffs script entitled The "Shell Game" during the development and production of the Defendants' motion picture, "Rounders". Defendants' conduct violates the Plaintiff's con-

tractual rights protected under *Desny v. Wilder*, (1956) 46 Cal.2d 715. Defendants' conduct also constitutes a copyright infringement. This first amended complaint seeks economic losses, general damages, costs of suit incurred, and such further relief as this Court deems proper and just.

Plaintiff hereby alleges against Defendants as follows:

JURISDICTION

1. Plaintiff originally filed this matter in California state court and it was removed to this court by defendants.

PARTIES

2. At all times herein mentioned, plaintiff Jeff Grosso (hereinafter Plaintiff), was and is a resident of the County of Los Angeles, State of California.

3. Plaintiff is informed and believes and based on such information and belief alleges that at all times herein mentioned, Defendants Miramax Film Corp, Miramax Books, and Spanky Pictures (hereinafter Miramax Films, Miramax Books and Spanky) were and are New York corporations in good standing, formed under the laws of the state of New York and authorized to do business in the State of California and do business in the state of California. Plaintiff also believes that Miramax Films uses California as a principal place of business. All three parties are engaged in the entertainment business for movie and book productions.

4. Plaintiff is informed and believes and based on such information and belief, alleges that at all times herein mentioned, defendants, David Levien and Brian Koppelman are individuals who reside in the state of New York. Both parties are writers who are engaged in the entertainment business for movie and book productions.

5. Plaintiff is informed and believes and based on such information and belief, alleges that at all times herein men-

tioned, defendants, Ted Demme and Joel Stillerman are individuals, but plaintiff does not know where they reside. Both parties are producers who are engaged in the entertainment business for movie and book productions.

6. Plaintiff is unaware of the true names and capacity whether corporate, associate, individual or otherwise of defendants named as DOES 1-100, inclusive. Plaintiff will seek leave of court to amend this first amended complaint to state defendants' true names and capacities when the same has been ascertained. Plaintiff is informed and believes and based upon such information and belief, alleges that said fictitiously named defendants are responsible in some manner for the injury and damages to plaintiff as. further hereinafter alleged.

7. Plaintiff is informed and believes and upon such information and belief, alleges that defendants, and each of them, at all times herein mentioned were the agents, employees, servants, joint-venturers and/or company conspirators of the remaining defendants, and were acting in the course and scope of such agency, employment, joint-venture and/or conspiracy; that defendants, and each of them, were doing the things herein alleged, as the actual and/or ostensible agents of the remaining defendants and were acting within the course and scope of said agency.

FACTS APPLICABLE TO ALL CAUSES OF ACTION

8. Prior to February, 1996, Plaintiff developed a written script, which he mailed to himself in a sealed envelope in February of 1996 and registered with the Writers Guild in April of 1996.

9. Plaintiff submitted the aforementioned script directly to Defendants or indirectly to Defendants through Plaintiffs agents and Defendant's agents for the purpose of having said script evaluated and considered for production purposes.

10. Plaintiff submitted said script with the reasonable expectation of payment if Defendants used the script or any part of it.

FIRST CAUSE OF ACTION FOR BREACH OF IMPLIED CONTRACT AS TO ALL DEFENDANTS

11. Plaintiff hereby alleges and incorporates by reference the paragraphs above as if set forth in full.

12. In 1998, Defendants released a major motion picture called "Rounders," and published and distributed a book by the same title.

13. An implied in fact contract was created between Plaintiff and Defendants and Does 1 through 10 based upon, inter alia, the solicitation by those Defendants, the submission of the script by Plaintiff and the use of that script by the Defendants. The idea was submitted by Plaintiff to Defendants with the understanding and expectation, fully and clearly understood by Defendants, that Plaintiff would be reasonably compensated for its use by Defendants. The contract required reasonable compensation by Defendants to Plaintiff for the use of the script.

14. Plaintiff distributed his script to as many producers as would accept it.

15. Plaintiff used various agents to distribute the script for him.

16. Plaintiff submitted his script directly to the following parties, which does not represent all parties who received the script from the plaintiff; H.B.O., Spelling Films, U.S. Film Corp., 4 Skylark, Stone Road, Unifilms, Wonderland Films, and Muse of Fire.

17. Plaintiff sent his script to Gotham Entertainment Group, which is located in the same building in New York City as Miramax Films. The script specifically sent to Patrick McDarrah, a former Miramax Films executive.

18. There are many similarities between plaintiffs script. "The Shell Game", and Defendants major motion picture, "Rounders", are extensive. For example, both Plaintiffs script and the Defendants' movie tell the story of three friends; two guys and a girl. Both have a character named "worm." In the plaintiffs script, worm has an ace of spades etched on his Zippo lights; in defendants' movie, worm has the ace of spades tattooed on his arm.

19. Other examples of the similarities between the Plaintiffs script and Defendant's movie include, both have a funny, ugly, jogging suit wearing, mob connected antagonist. In both, the two main characters are best friends. In both, the girl is blond, beautiful, and the girlfriend of the protagonist. Also, in both the protagonist and the girlfriend attend university (college in The Shell Game, and law school in Rounders). In Plaintiffs script, the heavy accented villain runs a strip club and a poker club. In "Rounders", the heavy accented villain runs and owns a strip club and a poker club. In both, the heavy accented antagonist is the most dangerous bad guy, and has a bunch of lackeys who do his bidding and are afraid of him.

20. The overwhelming similarities between Plaintiffs script and Defendant's movie go on; for example, the main collector/enforcer in "Rounders" is a short but meaty Italian named "Grama" who has no qualms about beating people severely while espousing economic advice using five syllable words and other vocabulary more advanced than would suit his character. "I have consolidated your outstanding debt . . . there's not a lot of faith in you in the business community." The main collector/enforcer in "The Shell Game" is a short but meaty Italian named "Rocco" who has no qualms about beating people severely while espousing new age philosophy using five syllable words and other vocabulary more advanced than would suit his character. "I have an unresolved

issue to discuss with you . . . I hope in the future you make a better effort to fulfill your responsibilities."

21. The ways Plaintiff's script and Defendant's movie present poker hero Johnny Chan demonstrates their similarities. Both feature a cameo appearance by Johnny Chan. In both, he plays himself. In both, he is shown playing at the World Series of Poker Tournament. In both, he is shown at the Horshoe casino in Las Vegas as well as one other casino card room at a different time. Although "Rounders" makes mention of many well known, real life poker professionals, Chan is the only one who has a role in the film. Chan is also the only real life professional that appears in "The Shell Game". In "Rounders", while Chan appears in exactly two separate scenes, he has no lines and does not speak. In "The Shell Game", Chan also appears in exactly two separate scenes and has no lines to speak. In his first scene in "Rounders", Chan plays and wins one hand of Texas hold'em against an opponent who has no significance or relation to the main characters and is never seen again. In his first scene in "The Shell Game", Chan plays and wins one hand of hold'em against an opponent who has no significance or relation to the main characters and is never seen again. In his second "Rounders scene", Chan plays and loses one hand of poker to one of the main characters. In his second "The Shell Game" scene, Chan plays and loses one hand of poker to one of the main characters.

22. The similarities in the setting of Plaintiffs script and Defendant's movie are remarkable. 19 In addition to poker clubs, both have scenes in which the two main characters play poker in a major 20 casino card room. In "Rounders", Mike and Worm play at the Taj Majal in Atlantic City. In "The Shell Game", Jack and Dicky play at several Las Vegas casinos. Both contain scenes at the university that is attended by the protagonist and his love interest. Both take place in densely populated metropolitan cities. Both are set in the little

known subculture of high stakes poker and poker clubs. Both revolve around the specific game of Texas Hold'em.

23. The similarities in the scenes and story are too numerous to be coincidental. "Rounders" begins and ends with a voice over about poker and life from the protagonist. "The Shell Game" begins and ends with a voice over about poker and life from the protagonist. In both, the girlfriend is neglected for the poker table and voices her disappointment at the neglect. In both, cards interferes with the protagonist's relationships, causes him physical violence and threatens his life. In both, the protagonist allows poker to interfere with his academic pursuits. In both, the protagonist loses his tuition money gambling. In both, the protagonist loses all the money he has in the world in one hand of Texas Hold'em. In both, in the hand mentioned above, the protagonist goes 'all in' with a full house and loses to a larger full house. In "Rounders", Mike loses nines full of aces to aces full of nines. In "The Shell Game", Jack loses Jacks full of aces to aces fill of jacks. In both, the protagonist-becomes indebted to loan sharks and is threatened with violence for non payment of a gambling debt. In "Rounders" Mike owes the funny, ugly jogging suit wearing bad guy a $7,000 gambling debt, plus juice. In "The Shell Game", Jack owes the funny, ugly jogging suit wearing bad guy an $8,000 gambling debt, plus juice.

24. There are more similarities between the setting and story in Plaintiff's script and Defendant's movie. In "Rounders", Jo finds a wad of cash in Mike's pants that makes a liar out of him and gets him in big trouble. In "The Shell Game", Jill finds a wad of cash in Jack's desk that makes a liar out of him and gets him in big trouble. In both, there is a scene where two poker buddies smoke pot. Both contain scenes in which cocaine is snorted, though drugs are not the focus of either movie. At one point in "Rounders" Mike explains to the audience the rudimentary fundamentals of Texas Hold'em and some of the strategy. At one point in

"The Shell Game" Jack explains to Dicky and the audience the rudimentary fundamentals' of Texas Hold'em and some of the strategy. In the last scene of "Rounders", Mike leaves for Las Vegas to play in the World Series of Poker tournament and face the best player in the world, Johnny Chan. This is the only poker tournament mentioned by name in the film. In "The Shell Game", all three principles go to Las Vegas and become involved with the World Series of Poker Tournament. Dicky faces the world's greatest player, Johnny Chan at the final table. This is the only poker tournament mentioned by name in the film. In the beginning of "Rounders" Mike watches Johnny Chan win a hand of Hold'em, this scene establishes him as the greatest card player in the world. In the beginning of "The Shell game", Jack watches Johnny Chan win a hand of Hold'em, this scene establishes him as the greatest card player in the world. In "Rounders", Mike plays a round of poker with uniformed police officers that ends in violence. The police prevail. In "The Shell Game", Jack plays a round of poker with uniformed police officers that ends in violence. The police prevail. Both have a scene in a seedy strip club. In "Rounders" it is frequented by "Grama" who works for Teddy KGB, the antagonist in "Rounders". In "The Shell Game" it is frequented by The Pimp's men and owned by The. Pimp, the antagonist in "The Shell Game".

25. There are more similarities between Plaintiffs script and Defendant's movie. "Rounders" has a sexy female card club employee who comes over to Mike's house, kisses him and offers him sex while Jo is away. "The Shell Game" has a sexy female card club employee who comes over to Jack's house, kisses him and gives him sex while Jill is away. "Rounders" has a scene in which Mike names the unexposed cards of a group of poker players without the players turning to the cards over. "The Shell Game" has a scene in which Dicky names the unexposed cards of a group of poker players without the players turning the cards over. "Rounders" has a scene where Mike tells his professor which are the "pre-

mium" starting hands. "The Shell Game" has a scene where Jack explains to Dicky which are the "premium" starting hands. In the climactic scene in "Rounders", Mike uses the same strategic move on Teddy KGB that we saw Johnny Chan use earlier in the film, i.e. they both check their nut straight. In the climactic scene in "The Shell Game", Dicky uses the same strategic move on Johnny Chan that we saw Jack use earlier in the film, i.e. they both make like they're going to muck their hands, then raise. Both films have scenes where one of the main characters is cheating at Hold'em. Worm with his dealing mechanics, Dicky with the high tech glasses. In the end of "Rounders" Mike is free of debt, has a large sum of cash, and is unreformed from his gambling ways. In the end of "The Shell Game" Jack is free of debt, has a large sum of cash, and is unreformed from his gambling ways.

26. Both plaintiffs script and Defendant's movie use similar language and phrases. In both, the protagonist uses an automotive reference to describe the game of Hold'em. Jack calls it "the hot rod of poker." in "The Shell Game". Mike calls it "the Cadillac of poker." in "Rounders". In both, there is talk of street loans and juice "interest" that is 5% a week. This is by no means a standard or universal rate. Both use lots of poker jargon that may not be easily understood by the audience. Defendants have breached the contract by their failure and refusal to pay any compensation at all to plaintiff for the use of the script.

27. The plaintiff has performed all of his obligations under the contract except those excused by law.

28. As a result of the aforementioned breach of the agreement by defendants, plaintiff has suffered, and will continue to suffer, damages in a currently unascertained amount which plaintiff believes to be in excess of $10,000,000.00.

SECOND CAUSE OF ACTION FOR COPYRIGHT INFRINGEMENT

29. Plaintiff hereby incorporates by reference paragraphs 1-30 inclusive as if set forth here in full.

30. Plaintiff registered his script with the copyright office on November 6, 1998, as required by 17 U.S.C. section 411(a).

31. Defendants infringed plaintiffs copyright by distributing Rounders without plaintiffs permission and without compensating plaintiff.

32. As a result of the aforementioned infringement by Defendants, Plaintiff has suffered, and will continue to suffer, damages in a currently unascertained amount which Plaintiff believes to be in excess of $10,000,000.00.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff, Jeff Grosso prays for judgment against the Defendants, and each of them, as follows:

1) For economic losses, according to proof;

2) For general damages in excess of the sum of $10,000,000.00;

3) For costs of suit incurred; and

4) For such further relief as the Court deems proper and just.

Dated: AUGUST 28 2000

MANNING & MARDER
KASS, ELLROD, RAMIREZ LLP

BY: /s/ _____
JOHN A. MARDER
MICHEAL R. PARKER
ATTORNEY FOR DEFENDANT
JEFF GROSSO

APPENDIX K

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

NO. 01-57255

JEFF GROSSO,
Plaintiffs-Appellant,
v.
MIRAMAX FILM CORP., *et. al.*,
Defendants-Appellees.

APPEAL FROM A JUDGMENT OF THE UNITED STATES DISTRICT COURT FOR THE CENTRAL DISTRICT OF CALIFORNIA
The Honorable Audrey B. Collins,
United States District Court Judge
Case No. CV 99-10930 ABC (AIJx)

BRIEF IN SUPPORT OF APPELLEE'S REQUEST FOR PANEL REHEARING OR EN BANC REVIEW BY *AMICI CURIAE* METRO-GOLDWYN-MAYER STUDIOS INC., NBC UNIVERSAL, INC., TWENTIETH CENTURY FOX FILM CORPORATION, AND UNIVERSAL CITY STUDIOS LLLP

GAIL MIGDAL TITLE, Esq.
JOEL R. WEINER, Esq.
RYAN J. LARSEN, Esq.
KATTEN MUCHIN ZAVIS ROSENMAN LLP
2029 Century Park East, Suite 2600
Los Angeles, CA 90067

Attorneys For Certain Amici Curiae

CORPORATE DISCLOSURE STATEMENT

In accordance with Federal Rule of Appellate Procedure 26.1, *amici curiae* make the following disclosures:

Metro-Goldwyn-Mayer Studio Inc. is a wholly-owned subsidiary of Metro-Goldwyn-Mayer Inc., a publicly traded corporation.

NBC Universal, Inc. is majority owned by publicly traded General Electric Company.

Twentieth Century Fox Film Corporation is owned by Fox Entertainment Group, Inc., a publicly traded corporation, which in turn is owned by publicly traded The News Corporation Limited, of which a minority owner is publicly traded Liberty Media Corporation.

Universal City Studios LLLP is a wholly owned subsidiary of NBC Universal, Inc., which in turn is majority owned by publicly traded General Electric Company.

INTEREST AND IDENTITY OF *AMICI*

Amici curiae are producers and distributors of theatrical motion pictures, television programming, and other entertainment product. Accordingly, *amici* regularly engage in the creation and development of scripts and regularly receive submissions of scripts from third parties. In the conduct of these activities, *amici* rely upon a uniformly applied federal copyright law that fosters creativity in the arts by protecting expressive works of authorship while leaving general ideas freely available to the public. For *amici*, an important aspect of this balance is the Copyright Act's express preemption of state law causes of action that would afford "copyright-like" protection under state law. Copyright preemption enables *amici* to, among other things, avoid protracted and costly litigation over the alleged misappropriation of the ideas embodied in creative works, particularly where, as here, plaintiffs have had no direct or significant contact or relationship with the defendants. The panel's opinion, 383 F.3d 965, which threatens to drastically alter the application of the copyright preemption doctrine, may have a significant impact on the entertainment industry and *amici* herein.

Metro-Goldwyn-Mayer Studios Inc., a major motion picture studio, is actively engaged, along with its subsidiaries and affiliates, in the development and worldwide production and distribution of entertainment product, including theatrical motion pictures, television programming, home video, interactive media, music, and licensed merchandise.

Twentieth Century Fox Film Corporation is actively engaged in the development and worldwide production and distribution of entertainment product, including theatrical motion pictures and television programming.

NBC Universal, Inc., and Universal City Studios LLLP, a major motion picture studio, are actively engaged, along with their subsidiaries and affiliates, in the development and

worldwide production and distribution of entertainment product, including theatrical motion pictures, television programming, home video, interactive media, music, and licensed merchandise.

Amici submit this brief in support of the Petition for Rehearing and for Rehearing En Banc filed by Appellees Miramax Film Corp., *et al.*, and urge this Court to order a rehearing of the case.

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CORPORATE DISCLOSURE STATEMENT

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I. SUMMARY OF *AMICI* ISSUES

On September 8, 2004, this Court issued an opinion, 383 F.3d 965, on copyright preemption of an implied contract claim arising from the alleged submission of a script for a motion picture. The opinion has since garnered an enormous amount of attention, generating new claims and articles suggesting that the opinion marks a radical departure from existing law.

This brief addresses the public policies underlying the Copyright Act that are implicated by the opinion and the practical impact of the opinion on creators and producers of entertainment product and on the courts. These issues are necessary to the Court's consideration of the petition, are not fully addressed in the petition, and warrant rehearing.

The impact of the opinion may be dramatic. The panel allowed appellant's implied contract claim to survive: (1) without any allegations of contact between plaintiff and defendants other than the conclusory allegation, unsupported by any facts, that the script was "submitted" to defendants; and (2) where the only commonalities between plaintiff's script and defendants' motion picture cited in the opinion are a common "setting" and "common, unprotectable . . . jargon." 383 F.3d at 967. On that basis, the opinion has already been interpreted-as creating a new rule that every time an employee of a film or television producer reads a script, the producer automatically enters into an "implied contract" with the author that circumvents copyright law and obligates the producer to compensate the author - even if the author never had any interaction with the producer, and even if only familiar story ideas were allegedly derived from the script.[1]

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[1] For example, a recent *New York Times* article characterized the panel opinion as "declar[ing] that movie and TV executives enter an implied contract every time they read a script." Anne Thompson, *Appeals Court Ruling May Shift Power To Writers*, The New York Times, Oct. 13, 2004.

An alternative view is that the panel simply ruled that preemption could not be decided at the pleading stage in this particular case. The public perception, however, is that the opinion has much more far reaching implications, as the express language of the opinion does not limit its holding of lack of preemption of the pleaded state-law *Desny* claim to the procedural posture of the case.

Broadly interpreted, the opinion alters the well-crafted balance between the free expression of ideas guaranteed by the First Amendment and the rights provided by the Copyright Act. It would arguably permit an author of a script to avoid copyright preemption, and to obtain copyright-like protection for ideas, on an implied contract theory:

> —Where, as the lower court found here, the author had no interaction at all with the studio, and the studio did not take any action that could create an implied agreement with the author;
>
> —Where the studio at a later time produces a film that involves a general, commonplace idea that was also contained in the script (in this case, the "subculture of high-stakes poker"), even though the script and the film are not substantially similar, as the district court found here and the panel affirmed;
>
> —Where the author submits his script "all over town," as plaintiff did here (as is a common practice), in effect creating a quasi-monopoly over the story ideas; and
>
> —That is inconsistent with an established body of federal case authorities in this and other circuits that rejects a sweeping rule that implied contract claims are preempted.

So interpreted, the opinion is contrary to the policy of the Copyright Act. It provides no standards to guide relations

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at B1 (a copy of which is attached to the *amicus* brief filed by *Black Entertainment Television, Inc., et. al*).

between authors, agents and producers, because it forsakes the steady guidelines established by the Copyright Act and arguably goes beyond ordinary contract law. It will burden the development of creative works, and movies and television in particular. The opinion is also likely to unleash a flood of "implied contract" idea submission claims, asserted against creators of motion pictures and television programs by those claiming rights to non-novel story ideas and even entire genres.[2]

Despite these potentially far-reaching consequences, the opinion[3]—just a few pages in length—does not consider any of the constitutional or public policy issues so critical to the preemption analysis. Nor does it discuss the authorities that have grappled with these issues, including numerous cases from this and other circuits, and more than six published opinions from the Central District of California that address preemption of implied contract claims in the specific context of script or idea submissions in the entertainment industry.

What makes the panel's opinion particularly disturbing is that, notwithstanding its potentially sweeping ramifications, it is a purely advisory opinion, as it will not affect the parties to this case. The district court already ruled on summary judgment in connection with plaintiff's copyright claim that the plaintiff could not prove that the defendant had access to the script at issue (and the panel did not disturb that ruling).

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[2] The *Los Angeles Daily Journal* has predicted that the decision could cause studios to "face a flood of new claims" based on plaintiffs' non-copyright theories of liability." Blair Clarkson, *Panel Limits Studio's Reliance On Copyright Act's Protection*, L.A. Daily Journal, Sept. 10, 2004, at A1 (a copy of which is attached to the *amicus* brief filed by *Black Entertainment Television, Inc., et. al*).

[3] This decision is the first in the Ninth Circuit to address directly the vital issue to creators and producers of entertainment product of whether or not, and under what circumstances, state implied in fact contract claims are preempted by the Copyright Act.

The absence of any access to the script by the defendant precludes the possibility of an implied contract of any sort between plaintiff and defendant. Thus, there was no need for the court to address whether an implied contract (had it existed) would have been the type of implied contract that could have been found to be preempted.[4]

For the above reasons, as expressed in more detail below, and for the reasons stated in the petition, the Court should either order depublication[5] or grant rehearing or rehearing en bans so that the crucial matters raised by this decision can be more fully addressed.

II. THE PANEL'S OPINION THREATENS TO UPSET THE BALANCE STRUCK BY THE COPYRIGHT ACT IN PROTECTING AN AUTHOR'S EXPRESSION WHILE ENSURING THAT HE GAINS NO MONOPOLY OVER THE IDEAS EMBODIED IN THAT EXPRESSION.

The Copyright Act of 1976 was passed after extensive legislative history and debate. Congress found that "[o]ne of the fundamental purposes behind the copyright clause of the Constitution . . . was to promote national uniformity and to avoid the practical difficulties of determining and enforcing an author's rights under the differing laws and in the separate

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[4] The underlying record reflects that plaintiff did not even *allege* any interaction with defendants, much less any "conduct" of the defendants to warrant an implied contract. Though plaintiff makes the conclusory assertion that defendants "understood" that plaintiff expected to be paid for use of his idea, there are no allegations to support any such understanding, and, in fact, the more specific allegations are that plaintiff submitted his script to a variety of entities or persons but not to any of the defendants.

[5] A court may withdraw or depublish a decision in appropriate circumstances. *Rutter Group Practice Guide: Federal Ninth Circuit Appellate Practice*, § 10:477.1 (2004).

courts of the various States." H.R. Rep. No. 94-1476, at 129, *reprinted* in 1976 U.S.C.C.A.N. at 5745. Indeed, Congress intentionally used "the clearest and most unequivocal language possible, so as to foreclose any conceivable misinterpretation of its unqualified intention that Congress shall act preemptively, and to avoid the development of any vague borderline areas between State and Federal protection." H.R. Rep. No. 94-1476, at 130, *reprinted* in 1976 U.S.C.C.A.N. at 5764.[6]

The fundamental premise of the Copyright Act is the idea/expression dichotomy. The First Amendment guarantees the freedom to express ideas. The Copyright Clause gives Congress the power to preserve the right of authors to control the expression of their copyrighted works. The Copyright Act recognizes both of these concerns and creates an appropriate uniform policy. As the Supreme Court has explained, the Act aims to balance the "interests of authors . . . in the control and exploitation of their writings . . . and society's competing interest in the free flow of ideas, information, and commerce . . . ." *Sony Corp. v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984).[7] The balance is

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[6] Section 301(a) therefore provides that:

> On and after January 1, 1978, all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright as defined by section 106 in works of authorship that are fixed in a tangible medium of expression and come within the subject matter of copyright as specified by sections 102 and 103, whether created before or after that date and whether published or unpublished, are governed exclusively by this title. Thereafter, no person is entitled to any such right or equivalent right in any such work under the common law or statutes of any state.

[7] The Second Circuit similarly described this balance in *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 982 F. 2d 693 (2d Cir. 1992): "[T]he copyright law seeks to establish a delicate equilibrium. On the one hand, it affords protection to authors as an incentive to create, and, on the other,

that there can be no protection of an "idea" simply because it appears in a copyrightable work.[8]

Preserving this balance has been recognized as an important consideration in federal preemption analysis. *See, e.g., Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 167. (1989).[9] State laws are preempted under the Supremacy Clause where they attempt to provide additional protection to works of authorship that conflict with the balance drawn by Congress under federal law. *See Aronson v. Quick Point Pencil Co.*, 440 U.S. 357, 262 (1979) (state contract law will be preempted where it "stands as an obstacle to the accomplishment of the full purposes and objectives of Congress") (quoting *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941); *Goldstein v. California*, 412 U.S. 546, 559 (1973) (same with respect to copyright law). Under this analysis, states may not remove facts and ideas from the public domain by affording them "copyright-like" protection under state law.

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it must appropriately limit the extent of that protection so as to avoid the effects of monopolistic stagnation." *Id.* at 696.

[8] Section 102(b) therefore states:

> In no case does copyright protection for an original work of authorship extend to any idea, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work.

[9] The Supreme Court held that states may not forbid the copying of that which the copyright and patent laws purposely leave in the public domain, because such restrictions would interfere with federal policy: "Where state law offers patent-like protection for ideas deemed unprotected under the present federal scheme, [state law] conflicts with the strong federal policy favoring free competition in ideas." *Bonito Boats*, 489 U.S. at 167. This Court affirmed this principle in *Summit Machine Tool Mfg. Corp. v. Victor CNC Sys., Inc.*, 7 F. 3d 1434, 1441 (9th Cir. 1993) (state law misappropriation claim was preempted by copyright and patent law to the extent it was based on "the time and effort expended in the development and production of [plaintiff's] *idea* for the [product]").

See, e.g., Harper & Row, Publishers v. Nation Enterprises, 723 F.2d 195, 200-02 (2d Cir. 1983), *rev'd on other grounds*, 471 U.S. 539 (1984).[10]

The panel's opinion threatens to upset this careful balance by permitting "copyright-like" protection of ideas contained in a script. Thus, the opinion contravenes one of the core policies of the Copyright Act by enabling a plaintiff to try to protect ideas in a copyright work under state law, merely by alleging (hypothetical) access to and unauthorized use of his ideas and labeling the claim "breach of implied contract.

Here, the panel issued a summary opinion that may have far reaching implications, without any discussion of the important constitutional and public policy considerations, without careful examination of relevant Ninth Circuit authority, and without acknowledging the other case authorities that have directly addressed preemption of implied contracts.

III. THE PANEL'S CURSORY OPINION DEPARTS FROM NUMEROUS DECISIONS ADDRESSING COPYRIGHT PREEMPTION.

Since the passage of the Copyright Act of 1976, a large body of case law has developed concerning copyright pre-emption of state law claims. These decisions require courts to consider the particular right alleged to have been violated and to determine whether a state law claim is actually qualitatively different from a copyright claim. If it is not, the claim is preempted.

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[10] *See also Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972, 980 (2d Cir. 1980) ("[w]here, as here, historical facts, themes, and research have been deliberately exempted from the scope of copyright protection to vindicate the overriding goal of encouraging contributions to recorded knowledge, the states are pre-empted from removing such- material from the public domain").

Miramax's Petition for Rehearing discusses the two 9th Circuit cases which adopt this approach: *Del Madera Properties v. Rhodes & Gardner, Inc.*, 820 F.2d 973 (9th Cir. 1987) (claim for misappropriation preempted); *Kodadek v. MTV Networks, Inc.*, 152 F.3d 1209 (9th Cir. 1998) (claim for unfair competition preempted).

Courts in other circuits have utilized the same approach and reached similar conclusions. For example, in *Berge v. Board of Trustees of the Univ. of Alabama*, 104 F.3d 1453 (4th Cir. 1997), the Fourth Circuit held that courts must look beyond the label and the conclusory allegations of a state law cause of action, and instead must examine the factual allegations upon which the claim is based. The Berge court concluded that the state law conversion claim in that case was preempted because the plaintiff's allegations made clear that, in substance, her claim was based not on the physical appropriation of tangible property but instead on the defendant's unauthorized use of the "ideas and methods" contained in the plaintiff's doctoral dissertation. *Id.* at 1463.

California state law is in accord. Thus, in *Kabehie v. Zoland*, 102 Cal. App. 4th 513 (2002), the trial court granted defendant's motion for judgment on the pleadings on contract were preempted by the Copyright Act. The Court of Appeal affirmed.[11] Describing its approach as the "majority view," the *Kabehie* court analyzed plaintiff's allegations and held that the supposed contract claim in that case—which was based on defendants' alleged reproduction of musical

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[11] California appellate courts have applied a similar analysis in other preemption cases. *See Melchior v. New Line Productions, Inc.*, 106 Cal. App. 4th 779, 791-92 (2003) (preemption of conversion and unjust enrichment claims based solely on defendant's alleged use and distribution of plaintiff's works); *Fleet v. CBS Inc.*, 50 Cal. App. 4th 1911, 1919-20 (1996) (preemption of state law claim for misappropriation of the right of publicity, based on the defendant's distribution of a motion picture in which the plaintiff actor had appeared).

compositions to which plaintiff owned the rights—was preempted by the Copyright Act. *Id.*

Decisions in the Central District directly addressing preemption of implied contracts claims in the motion picture and television industry have repeatedly held that implied contract claims are preempted when the alleged promise is tantamount to a promise to refrain from reproducing, distributing, adapting, performing, or displaying the plaintiffs work without paying for it. *See, e.g., Selby v. New Line Cinema Corp.*, 96 F. Supp. 2d 1053, 1.060 (C.D. Cal. 2000) (claim of implied promise to pay for use of ideas insufficient to avoid copyright preemption).[12]

Many cases have found preemption even where, unlike the plaintiff in this case, the authors submitted their work and had communications with the defendants, but where the parties interaction did not rise to a level sufficient to distinguish the implied contract claim from a copyright claim. For example, in *Selby*, the author's agent submitted his screenplay to defendant, and defendant requested that it be shown any future drafts. 96 F. Supp. 2d at 1055. In *Entous v. Viacom International, Inc.*, 151 F. Supp. 2d 1150, 1153 (C.D. Cal., Feb. 2001), plaintiff twice submitted to defendant his two-page written treatment and videotape for a proposed MTV program. In *Worth v. Universal Pictures*, 5 F. Supp. 2d 816, 819 (C.D. Cal. 1997), plaintiff submitted his screenplay to various studios and agencies, including defendant. In *Metrano v. Fox Broadcasting*, 2000 WL 979664, * 1 (C.D. Cal., April 24, 2000), plaintiff and his agent presented his ideas for a television program at a "pitch meeting where he provided his treatment and related written materials. In

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[12] Other district courts have also followed this approach. *See, e.g., Fischer v. Viacom Int'l, Inc.*, 115 F. Supp. 2d 535, 540 (D. Md. 2000 (noting that "the majority of courts addressing the issue have found that the [Copyright] Act preempts implied-in-fact contracts").

Endemol Entertainment B.V. v. Twentieth Television, Inc., 1998 WL 785300 (C.D. Cal., Sept. 1998), plaintiff presented his television concept to defendant at a trade show and then had unspecified negotiations that did not result in an agreement. In each of these cases, the district court found the implied contract claim preempted. Many were decided on the pleadings.[13]

Several decisions expressly held implied contract claims preempted, and that there was no "extra element," despite an alleged "implied promise" by defendants to pay for the use of a work. *See, e.g., Selby v. New Line Cinema*, 96 F. Supp. 2d at 1062; *Entous v. Viacom Int'l*, 151 F. Supp. 2d at 1160; *Metrano v. Fox Broadcasting Co.*, 2000 WL 979664, *6. In *Selby*, the court held that the claimed implied contract "did not regulate the parties' conduct beyond the mere use of [plaintiff's] ideas," despite an alleged implied promise to compensate plaintiff. In so ruling, the court acknowledged *Desny v. Wilder*, 46 Cal. 2d 715 (1956), but nevertheless held the implied contract claim preempted, stating "[h]owever, twenty years after the *Desny* decision Congress passed the Copyright Act of 1976 . . . which preempts all legal or equitable rights" that are equivalent to copyright.

Further, where, as here, the only factual allegation is that a script was submitted, without any negotiations, meetings, or affirmative conduct by the defendants, the so-called implied in fact contract is, by its nature, in reality, a quasi contract, implied in law. Such claims are clearly preempted, as courts have consistently held. 1 Nimmer § 1.01 [B] [1] [h] at 1-41, fn 164-2 (2004) ("A state law cause of action for unjust enrichment or quasi contract should be regarded as an equivalent right' and hence, pre-empted insofar as it applies to copyright subject matter.") (summarizing cases); *Tingley*

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[13] *Selby, Metrano* and *Endemol*, were decided on motions to dismiss; *Worth* on a motion to remand; *Entous* on a motion for summary judgment.

Systems, Inc. v. CSC Consulting, Inc., 152 F. Supp. 2d 95, 112 (D. Mass 2001) (claim for quasi contract "does not qualitatively differ from a copyright infringement claim" and is preempted).

Thus, many courts in many jurisdictions over the past fifteen years have carefully analyzed and struggled with the issue of preemption of implied contracts in light of the Copyright Act of 1976. These courts have been sensitive to the balance between state law contract rights and the strong federal policies and preemptive force of the Copyright Act. Common threads running through the decisions are that implied contract claims are generally preempted—absent a clear promise outside the scope of the Copyright Act[14] and/or a level of interaction between the parties that is far beyond a mere submission.[15]

While it was anticipated that the Ninth Circuit would eventually address these issues, it is very troubling that the

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[14] *See, e.g., Firoozye v. Earthlink Network*, 153 F. Supp. 2d 1115, 1118, 1126-27 (N.D. Cal. 2001) (implied contract claim based on plaintiff's submission of proposed license agreement and price sheet and defendant's express promises to enter into a formal licensing agreement); *Lennon v. Seaman*, 63 F. Supp. 2d 428, 438 (S.D.N.Y. 1999) (claim based on implied promise by celebrity's household employee not to divulge family information).

[15] In *Chesler/Perlmutter Prods., Inc. v. Fireworks Entertainment, Inc.*, 177 F. Supp. 2d 1050, 1054 (C.D. Cal., 2001), the court found the implied contract claim not preempted where the parties had significant interaction and detailed negotiations: plaintiff presented his television concept to defendant; provided a treatment at defendant's request; exchanged proposed budgets with defendant; provided defendant with scripts; sent a draft contract to defendant; and ultimately entered into a written contract that defendant allegedly breached. *See also Trenton v. Infinity Broadcasting Corp.*, 865 F. Supp. 1416, 1429 (C.D. Cal. 1994) (claim based on course of dealing over several years between plaintiff radio host and station owner linking plaintiff's compensation to popularity of program format he originated).

Court would announce a facially sweeping rule that *Desny* implied contract claims are not preempted, without any policy analysis; without any discussion of the numerous case authorities discussing preemption in the context of a submission of a script for a motion picture or television program; without giving litigants and the lower courts guidance on the scope of, or rationale for, its opinion; and where the opinion is meaningless to the parties in the case before it in light of the lower court's finding of no access, which finding precludes a valid *Desny* claim in this case.[16]

The opinion leaves many questions unanswered. What is the impact of the opinion, if any, on existing case authority? If whether an implied contract claim is preempted depends on the particular facts of each case, what types of facts must be present to avoid preemption? It seems highly unlikely that the Court intended its opinion to mean that alleging a bare submission is sufficient to state a non-preempted implied contract claim. Such an allegation would amount to, at most, no more than an alleged implied in law quasi contract, not an implied in fact contract.

Because the panel's opinion did not address the aforementioned decisions, or any of the policy issues or analysis discussed in those decisions, it will cause confusion and uncertainty as to which, if any, of these numerous federal and state decisions remain viable within this circuit.

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[16] In light of the varying interpretations of *Desny* in state court appellate opinions over the past fifty years and the inherently "fuzzy" nature of an implied contract, there is uncertainty as to what exactly is a *Desny* claim. See discussion in UCLA Entertainment Law Review, "The Role of Novelty In A California Idea Submission Case," Vol. 11:1, p. 27 (2004). It is clear, however, that a finding of no access necessarily defeats the claim.

IV. CONCLUSION

Amici respectfully suggest that the Court should depublish the opinion, as this is not the appropriate case to address the important issue of copyright preemption of implied contracts. Here, the issue of preemption arises on the pleadings, and is effectively moot as a result of the summary judgment ruling finding no access. The Court should await a case where the facts and issues are .presented in the pleadings or where the Court can rule on the basis of a fully developed record, so that the Court can provide a more comprehensive analysis, and where the issue is necessary to the resolution of the case.

Alternatively, the Court should grant the Petition for Rehearing to provide coherent guidance to lower courts and members of the entertainment industry in this complex area of law, and to ensure that the careful balance struck by Congress in the Copyright Act is not disrupted. It should carefully evaluate the policy issues and the numerous decisions that have analyzed whether and in what circumstances a claim for breach of implied contract will survive copyright preemption.

The opinion as currently framed is inconsistent with the policies of the Copyright Act, as it could arguably permit an individual to claim rights to any commonplace idea, even an entire genre, based on a conclusory allegation of an "implied contract," thus discouraging the exchange of creative ideas. Such a result would harm the entire entertainment industry by depriving parties of reasonable certainty in their business dealings. Further, the failure of the opinion to address the relevant case authorities and to explain its scope and rationale will likely result in unnecessary litigation and inconsistent results.

For all of these reasons, amici respectfully request that this Court depublish the opinion, or grant the Petition for Rehearing or Rehearing En Banc.

Dated: NOVEMBER 10TH 2005

KATTEN MUCHIN ZAVIS ROSENMAN LLP
Gail Migdal Title
Joel R. Weiner
Ryan J. Larsen

By: S/_____
Gail Migdal Title
Attorneys for Amici Curiae Metro-Goldwyn-Mayer Studios Inc., NBC Universal, Inc., Twentieth Century Fox Film Corporation, and Universal City Studios LLLP

APPENDIX L

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

Appeal No. 01-57255

JEFF GROSSO,
Plaintiffs-Appellant,
v.
MIRAMAX FILM CORP., *et al.*,
Defendants-Appellees.

APPEAL FROM A JUDGMENT OF THE
UNITED STATES DISTRICT COURT FOR THE
CENTRAL DISTRICT OF CALIFORNIA
The Honorable Audrey B. Collins,
United States District Court Judge
Case No. CV 99-10930 ABC (AIJx)

BRIEF IN SUPPORT OF PANEL REHEARING OR EN BANC REVIEW BY *AMICI CURIAE* DISCOVERY COMMUNICATIONS, INC., VIACOM INC., PARAMOUNT PICTURES CORPORATION, CBS BROADCASTING INC., SHOWTIME NETWORKS INC., BLACK ENTERTAINMENT TELEVISION, INC. AND MTV NETWORKS

KELLI L. SAGER (SBN 120162)
ANDREW J. THOMAS (SBN 159533)
ALONZO WICKERS IV (SBN 169454)
JEFFREY H. BLUM (SBN 219297)
SUSAN E. SEAGER (SBN 204824)
DAVIS WRIGHT TREMAINE LLP
865 S. Figueroa St., Suite 2400
Los Angeles, California 90017
Telephone: (213) 633-6800
Facsimile: (213) 633-6899
Attorneys for Amicus Curiae

CORPORATE DISCLOSURE STATEMENT

Pursuant to Federal Rule of Appellate Procedure 26.1, *amici curiae* make the following disclosures:

Black Entertainment Television, Inc. is a wholly-owned subsidiary of BET Holdings Inc., which is a wholly-owned subsidiary of Viacom Inc.

CBS Broadcasting Inc. is a wholly-owned subsidiary of Westinghouse CBS Holding Company, Inc., which is a wholly-owned subsidiary of Viacom Inc.

Discovery Communications, Inc. does not have a parent corporation. Liberty Media Corporation and Cox Communications, Inc. each owns 10% or more of the stock of Discovery Communications, Inc.

MTV Networks is a division of Viacom International Inc., which is a wholly-owned subsidiary of Viacom Inc.

Paramount Pictures Corporation is a wholly-owned subsidiary of Bombay Hook Limited, which is a wholly-owned subsidiary of French Street Management Inc., which is a wholly-owned subsidiary of Viacom International Inc., which is a wholly-owned subsidiary of Viacom Inc.

Showtime Networks Inc. is a wholly-owned subsidiary of Viacom International Inc., which is a wholly-owned subsidiary of Viacom Inc.

Viacom Inc. does not have a parent corporation, nor does any publicly held corporation own 10% or more of the stock of Viacom Inc.

INTEREST AND IDENTITY OF *AMICI*

Amici curiae are television broadcasters, cable networks and motion picture studios that are engaged in the acquisition, creation, development, production, and distribution of copyrighted television programs and theatrical motion pictures. *Amici* regularly develop scripts for motion pictures and television programs and receive submissions of treatments and screenplays from third parties. *Amici* are directly affected by the Panel Opinion, which addresses the copyright preemption of a state law implied contract claim arising from the alleged submission of a script for a motion picture, and they have knowledge of the potential industry-wide consequences if the Panel Opinion stands without modification or clarification.

Amicus Black Entertainment Television, Inc. is the largest national cable television network serving African-Americans. It owns and operates the television programming services, BET, BET Jazz, BET Gospel and BET Hip Hop.

Amicus CBS Broadcasting Inc. is a major media company and broadcasting network engaged in the acquisition, development, scheduling and distribution of news, public affairs, sports and entertainment programming, including prime time comedy and drama series, reality-based programming, made-for-television movies and miniseries, all of which are made available to the public free of charge through over-the-air broadcast.

Amicus Discovery Communications, Inc. is a global media and entertainment company that operates 19 television brands including the Discovery Channel, TLC, Animal Planet, and the Travel Channel.

Amicus MTV Networks owns and operates a number of popular basic cable television programming services, including MTV Music Television, Nickelodeon, VHI, Comedy Central, and Spike TV.

Amicus Paramount Pictures Corporation, a major motion picture studio, has been a leading producer and distributor of feature films since 1912. Paramount Pictures also co-produces films with MTV Networks and Nickelodeon Movies.

Amicus Showtime Networks Inc. owns the premium television networks Showtime, The Movie Channel and FLIX. It also operates and manages the premium television network Sundance Channel, which is owned by Showtime, Robert Redford and NBC Universal Studios. Showtime Networks Inc. also produces original motion pictures and television series.

Amicus Viacom Inc. is a global media company engaged in the creation, promotion, and distribution of entertainment, news, sports, music, and comedy programming.

Amici submit this brief in support of the Petition for Rehearing and for Rehearing En Banc filed by Appellees and urge this Court to order a rehearing of the case.

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SUMMARY OF *AMICI* ISSUES

The Panel Opinion in this case can be read to mark a major departure from prior copyright preemption decisions of this circuit, as well as other federal appellate and district courts and state appellate courts that have addressed similar issues and claims. Its abbreviated legal discussion, however, provides no meaningful guidance to courts in the Ninth Circuit, and its apparent sweeping approach to federal preemption law threatens to alter the fundamental balance struck by Congress in the Copyright Act between protecting creative expression and preventing the monopolization of ideas.

Read broadly, the Panel Opinion suggests that any state law claim that nominally alleges a "promise" by the defendant will survive copyright preemption, regardless of whether the parties are alleged to have engaged in any conduct from which a bona fide contractual obligation could be inferred. Under this standard, state law effectively may extend "copyright-like" protection to the ideas embodied in a work of authorship, permitting a plaintiff—simply by invoking the talismanic label "implied contract"—to pursue legal claims against any defendant who may have had access to the plaintiff's work and later created a movie or television show based on similar ideas. In thus opening the door to *de facto* exclusive protection of ideas under state law, the Panel Opinion imperils the delicate balance Congress sought to achieve under the Copyright Act.

By taking this approach, the Panel Opinion risks inundating the courts with a flood of "implied contract" idea submission claims against creators of motion pictures and television programs, including claims asserted by total strangers with whom the defendants have had no contact or relationship whatsoever. No longer able to dispose of these often baseless claims cost-effectively at the motion stage, companies engaged in the development of entertainment programs may well find it necessary to refuse all contact with or submissions

from unknown writers—chilling the exchange of ideas, limiting the career prospects of many aspiring authors, and potentially depriving the public of the production of new programs.

To compound the problem, the Panel's three-paragraph discussion of copyright preemption does not even acknowledge—let alone consider or distinguish - the numerous prior federal and state court decisions that have carefully considered the constitutional and public policy implications of copyright preemption of implied contract claims, and have reached contrary results. These decisions require a searching, substantive inquiry to determine whether the particular state law claim alleged contains an "extra element" that is qualitatively different from the protections afforded by copyright law. Nor does the Panel Opinion offer any analytical framework that would explain its divergence from these decisions. Lower courts, as well as parties to the idea submission cases so common in this circuit, are left to guess what the Ninth Circuit's test for copyright preemption now is, a situation that inevitably will foster confusion and uncertainty within the circuit.

II. THE PANEL OPINION DEPARTS FROM NINTH CIRCUIT PRECEDENT BY ADOPTING A CATEGORICAL RULE THAT CAN BE READ TO IMMUNIZE ALL IMPLIED CONTRACT CLAIMS FROM PREEMPTION

The Panel Opinion, issued for publication on September 8, 2004 and reported at 383 F.3d 965, barely mentions two of the leading decisions in this circuit on copyright preemption of state law claims: *Del Madera Properties v. Rhodes & Gardner, Inc.*, 820 F.2d 973 (9th Cir. 1987), and *Kodadek v. MTV Networks, Inc.*, 152 F.3d 1209 (9th Cir. 1998). Both cases make clear that certain implied contract claims should be found preempted under the Copyright Act. To determine whether a state law claim is "equivalent to" a copyright claim, and therefore preempted, these decisions require the

federal court to conduct a searching, context-specific inquiry into whether the particular state law claim at issue contains an "extra element" that is qualitatively different from the protections afforded by copyright law. If such an "extra element" does not exist, the claim is preempted. *Kodadek*, 152 F.3d at 1212; *Del Madera*, 820 F.2d at 976-77; 17 U.S.C. 301(a).

Though it cites *Del Madera* in passing for a recital of the preemption test, the Panel Opinion ignores and fundamentally departs from *Del Madera's* reasoning.[1] *Del Madera* requires that a court look to the substance of a plaintiff's claim, not merely its label, in determining whether the claim contains a qualitatively different "extra element." In *Del Madera*, this Court held that a plaintiff's state law claim based on the alleged misappropriation of a "tentative map" to develop real property was preempted by copyright, even though the plaintiff had labeled the claim as one for unjust enrichment arising from an alleged "implied promise, based on the parties' relationship." *Id.* at 977.[2]

In reaching its decision, the *Del Madera* court engaged in a probing, substantive consideration of the plaintiff's allegations—even though, as in the instant case, plaintiff nominally alleged that its claims were based on the defendant's "implied promise" not to use the plaintiff's map without permission.

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[1] Because a three judge panel is bound by prior circuit decisions, the Panel here was required to follow *Del Madera*. *See, e.g., Norita v. Commonwealth of the Northern Mariana Islands*, 331 F.3d 690, 696 (9th Cir. 2003).

[2] The plaintiff, a developer, had prepared the map and registered it for copyright protection. When the plaintiff later defaulted on its debt, the lender foreclosed on the property and hired the same consultants, including the defendant architect, to develop the property. Plaintiff claimed the architect misappropriated plaintiff's "time and effort" and used the copyrighted map without permission, but evidently did not base this claim on any meetings or other communications relating to the use of the map or payment to plaintiff. Id. at 975.

Id. at 977. This Court found, however, that "there was no relationship between Del Madera and the defendants to justify" an "expectation of both parties" that "compensation should be made." *Id.* at 978. Consequently, this Court concluded that the unjust enrichment claim was preempted because the "implied promise" was based solely on the plaintiffs ownership of the map and the defendant's alleged misappropriation of it—circumstances that were "part and parcel" of the plaintiffs concurrent copyright infringement claim. *Id.* at 977.

The Panel Opinion also fails to address this Court's decision in *Kodadek v. MTV Networks, Inc.*, 152 F.3d 1209 (9th Cir. 1998), which applied an analysis similar to *Del Madera's* to hold that the plaintiff's unfair competition claim was preempted. *Kodadek* looked beyond the plaintiffs assertion that the claim facially had an extra element of "unfairness" not found among the elements of a copyright infringement claim. Probing beneath the label of the claim, this Court considered the actual substance of the plaintiffs allegations and found the claim preempted because it was "based on rights granted by the Copyright Act." *Id.* at 1213.

Like the preempted state law claims in *Del Madera* and *Kodadek*, the plaintiffs "implied contract" claim in the instant case was grounded on the plaintiffs ownership of a copyrighted work (here, a script) and the defendants' alleged misappropriation of ideas contained in that work. As the Petition for Rehearing demonstrates, plaintiffs implied contract claim was not based on any affirmative conduct by the defendants directed toward plaintiff—such as a meeting, telephone call, or prior course of dealing. *See* Pet. for Reh'g at 5, 13-14 & App. 3 at 9. Instead, it rested on nothing more than the script's alleged journey over defendants' transom—*i.e.*, on a speculative assertion that defendants "must have" had access to it. Access, however, is not the same as a contractual obligation. The present circumstances mirror the situation in

Del Madera, where this Court held that the alleged "implied promise, based on the parties' relationship" was not sufficient to avoid preemption because "there was no relationship between Del Madera and the defendants to justify such an expectation." *Id.* at 977-78.

Here, the Panel did not undertake an analysis of the substantive basis for plaintiff's implied contract claim. Instead, the Panel Opinion appears to hold in essence that because all implied contract claims inherently involve a "promise," they necessarily have an "extra element" and thus are not preempted. *Del Madera* and *Kodadek*, however, required the court to look past the label of plaintiffs claim—and the nominal allegation of an "implied promise"—to examine whether the defendant's purported promise to the plaintiff allegedly was based merely on the defendant's uncompensated use of the plaintiff's ideas. Where, as here, the plaintiff has based his copyright infringement and implied contract claims on identical factual allegations, the implied contract claim clearly should be preempted. Because the Panel Opinion is in conflict with the holding and reasoning of the prior Ninth Circuit decisions, rehearing should be granted for this reason alone.

III. THE PANEL OPINION DOES NOT ADDRESS AN EXTENSIVE BODY OF CASE LAW FROM FEDERAL AND STATE COURTS ANALYZING COPYRIGHT PREEMPTION OF STATE LAW CLAIMS

A. The Panel's Categorical Approach Conflicts With Copyright Preemption Decisions Of The Fourth And Sixth Circuits.

The Panel Opinion fails to address a vast body of case law concerning copyright preemption of state law claims, including decisions of at least three other circuits. These decisions reject a categorical rule that all implied contract claims sur-

vive preemption, and they condemn the blithe acceptance at face value of a plaintiff's cursory allegation of a supposed "extra element." Instead, they require courts to engage in a searching, context-specific analysis of the particular right alleged to have been violated to determine whether a state law claim actually contains an element that is qualitatively different from a copyright claim, such that the claim is not preempted.

For example, in *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446 (6th Cir. 2001), the Sixth Circuit considered a state law claim for breach of implied contract in an idea submission case. The court expressly rejected the blanket proposition "that all state law contract claims survive preemption simply because they involve the additional element of promise." *Id.* at 457. Instead, the court required the application of a "fact-specific analysis" of the particular implied contract alleged in that case. Using that analysis, in circumstances where—in contrast to the instant case—the implied promise to pay plaintiff allegedly arose from repeated solicited submissions and extensive meetings and communications between the parties over many months, the Sixth Circuit held that the implied contract claim in that case was not preempted. *See id.* at 450-51.

Endorsing a similar analytical approach, the Fourth Circuit in *Berge v. Board of Trustees of the Univ. of Alabama*, 104 F.3d 1453 (4th Cir. 1997), considered whether a state law conversion claim was preempted. *Berge* also held that courts must look beyond the label and the facial elements of a state law cause of action, and instead must examine the specific allegations underlying the claim. The Berge court concluded that the conversion claim in that case was preempted because the plaintiffs allegations, once fully examined, revealed that her claim was based not on the physical appropriation of tangible property but instead on the defendant's unauthorized

use of the "ideas and methods" contained in her doctoral dissertation. *Id.* at 1463.[3]

What distinguishes each of these decisions from the Panel's approach is the court's embrace of a substantive, context-specific inquiry into whether the particular claim at issue actually presents a qualitatively different "extra element" that precludes a finding of preemption. The Panel's disposition of the preemption issue here needlessly creates inter-circuit conflict that undermines the federal goal of a uniform system of copyright protection.

B. The Panel Opinion Does Not Even Mention Numerous District Court And State Court Decisions That Have Reached Contrary Conclusions.

The Panel likewise fails to acknowledge a wealth of district court and state court decisions that have carefully analyzed copyright preemption of implied contract claims and have found such claims to be preempted in circumstances similar to those presented here. These courts uniformly have rejected the Panel's apparent conclusion that *all* breach of implied contract claims are immune from preemption. *See, e.g., Entous v. Viacom Int'l, Inc.*, 151 F. Supp. 2d 1150, 1159 (C.D. Cal. 2001) ("a categorical rule exempting all breach of contract claims from preemption is misguided").

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[3] The Eighth Circuit employed similar reasoning to reject the opposite type of categorical preemption rule in *National Car Rental Sys., Inc. v. Computer Assocs. Int'l*, 991 F.2d 426 (8th Cir. 1993). There, the court considered "whether a limitation on the uses to which a licensee may put a licensed [computer program] are preempted, even though those uses do not involve the exclusive copyright rights." *Id.* at 431. The court rejected an all-or-nothing rule that contract claims alleging that "use of a copyrighted work that exceeds the uses allowable under [a] license" are preempted in all cases. *Id.* at 431-32. It held instead that courts must "examine specifically whether this cause of action seeks to protect rights equivalent to the exclusive copyright rights" in deciding whether the particular breach of contract claim at issue was preempted. *Id.* at 432.

Most of these decisions have held that implied contract claims are preempted whenever the alleged promise is tantamount to a promise to refrain from reproducing, distributing, adapting, performing, or displaying the plaintiff's work. *See, e.g., Selby v. New Line Cinema Corp.*, 96 F. Supp. 2d 1053, 1060 (C.D. Cal. 2000). Carefully distinguishing breach of implied contract claims that survive copyright preemption from those that do not, *Selby* rejected a categorical rule that all implied contract claims survive preemption and instead "adopt[ed] the fact-specific approach requiring an analysis of whether the right in question is infringed by the mere act of reproduction, performance, distribution or display." *Id.* at 1059-62.[4]

Decisions within the Central District of California consistently have followed this approach, as have many federal district and state courts across the country.[5] In *Kabehie v. Zoland*, 102 Cal. App. 4th 513 (2002), for example, the California Court of Appeal canvassed the case law on copyright preemption of implied contract claims and adopted the "fact-specific analysis" tacitly rejected by the Panel here.

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[4] A number of these decisions indicate that preemption is particularly appropriate where—as is the case here—plaintiffs have filed concurrent claims for copyright infringement, thus confirming that the gravamen of their state law claims is the defendant's unauthorized use of the plaintiff's material. *See, e.g., Idema v. Dreamworks, Inc.*, 162 F. Supp. 2d 1129, 1191 (C.D. Cal. 2001); *Arpaia v. Anheuser-Busch Cos.*, 55 F. Supp. 2d 151, 162 (W.D.N.Y. 1999); *Endemol, Entertainment B.V. v. Twentieth Television, Inc.*, 48 U.S.P.Q.2d 1524, 1526 (C.D. Cal. 1998); *American Movie Classics Co. v. Turner Entertainment Co.*, 922 F. Supp. 926, 931-32 (S.D.N.Y. 1996).

[5] *See, e.g., Fischer v. Viacom Int'l, Inc.*, 115 F. Supp. 2d 535, 540 (D. Md. 2000) (noting that "the majority of courts addressing the issue have found that the [Copyright] Act preempts implied-in-fact contracts"); *Metrano v. Fox Broadcasting*, 2000 WL 979664, *6 (C.D. Cal., April 24, 2000) (finding preemption); *Worth v. Universal Pictures*, 5 F. Supp. 2d 816, 822 (C.D. Cal. 1997) (same).

Id. at 528.[6] Adopting this approach as reflective of the "majority view," *Kabehie* held that the implied contract claim alleged in that case—which was based on the defendants' alleged reproduction of musical compositions to which the plaintiff owned the rights—was preempted by the Copyright Act. *Id. Kabehie* thus illustrates how far the Panel Opinion would seem to have strayed from prior precedent: state law implied contract claims that the California state courts would find to be preempted by federal law now appear to have been categorically immunized from preemption by the Ninth Circuit.

Other decisions have held hold more narrowly that implied contract claims are preempted where the alleged promise is grounded solely on the defendant's alleged unauthorized use, and not on any direct contact between plaintiff and defendant or course of dealing between the parties. *See, e.g., Entous*, 151 F. Supp. at 1160.[7] All of these courts, however, avoid the

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[6] California appellate courts have applied a similar analysis in other preemption cases. *See Melchior v. New Line Productions, Inc.*, 106 Cal. App. 4th 779, 791-92 (2003) (preemption of conversion and unjust enrichment claims based solely on defendant's alleged use and distribution of plaintiffs works); *Fleet v. CBS, Inc.*, 50 Cal. App. 4th 1911, 1919-20 (1996) (preemption of state law claim for misappropriation of the right of publicity, based on the defendant's distribution of a motion picture in which the plaintiff actor had appeared).

[7] Where such factors are present, however, courts have concluded that the particular contractual promise alleged supplied an "extra element" that avoided preemption. *See, e.g., Firoozye v. Earthlink Network*, 153 F. Supp. 2d 1115, 1118, 1126-27 (N.D. Cal. 2001) (implied contract claim based on plaintiffs submission of proposed license agreement and price sheet and defendant's express promises to enter into a formal licensing agreement); *Lennon v. Seaman*, .63 F. Supp. 2d 428, 438 (S.DN.Y. 1999) (claim based on implied promise by celebrity's household employee not to divulge family information); *Trenton v. Infinity Broadcasting Corp.*, 865 F. Supp. 1416, 1429 (C.D. Cal. 1994) (claim based on course of dealing over several years between plaintiff radio host and station owner

categorical approach of the Panel here, and instead undertake a substantive, particularized analysis of the alleged promise on which the implied contract claim is based. As the district court appropriately emphasized in *Idema v. Dreamworks, supra*, "a court should not rely on a `laundry list' of the alleged `elements' of the state law claims at issue, such that the mere *possibility* of an `extra element' protects a claim from preemption. Instead, courts should engage in a fact-specific inquiry into the actual allegations underlying the claims at issue in the case, so as to determine whether the 'gravamen' of the state law claim asserted is the same as the rights protected under the Copyright Act." 162 F. Supp. 2d at 1190 (original emphasis).

Without discussion, the Panel Opinion implicitly rejects all of these decisions and their reasoning, even though they are consistent with Ninth Circuit precedent. It is impossible to tell whether or to what extent the Panel considered the rationales of these cases and, if it did, what reasons the Panel had for rejecting the analytical approach adopted by these courts. The Panel Opinion inevitably will sow confusion and uncertainty within this circuit as to which, if any, of these numerous federal and state decisions remain viable.

C. The Panel's Broad Preemption Ruling Is Not Justified By The Ninth Circuit's Recognition In *Landsberg* Of A State Law Claim For Breach Of Implied Contract Under *Desny v. Wilder*.

Amici do not argue here that there can be no bona fide breach of implied contract claims, nor do they contend that all implied contract idea submission claims are preempted. However, *amici* maintain that where, as here, an implied contract claim is in actuality grounded on nothing but alleged

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linking plaintiff s compensation to popularity of program format he originated).

access and similarity, it does not satisfy the "extra element" test and therefore is preempted by copyright.

Contrary to the Panel's suggestion, *Landsberg v. Scrabble Crossword Game Players, Inc.*, 802 F.2d 1193 (9th Cir. 1986), does not support the broad proposition that all implied contract claims survive preemption. *Landsberg* did not consider the issue of copyright preemption, and it never purported to apply the "extra element" test. Instead, this Court merely upheld factual findings that the plaintiff had established an implied contract claim in that case based on his "prolonged negotiations" with defendants after submitting to them a book on Scrabble strategy. See id. at 1196-97. Notably, *Landsberg* recognized that recovery for breach of implied contract under *Desny v. Wilder*, 46 Cal. 2d 715 (1956), required an affirmative "disclosure" of the idea by the plaintiff to the defendant. *Id.* at 1196.

As *Landsberg* suggests, it is not necessary to adopt a sweeping, categorical non-preemption rule in order to preserve a plaintiffs ability to bring a bona fide breach of implied contract claim under *Desny*. Such a claim may survive where it is based on affirmative conduct that actually could support an implied promise to compensate the plaintiff. Indeed, *Desny* itself is much more limited than the Panel Opinion suggests, and does not endorse a breach of implied contract claim based merely on the defendant's alleged access to and unauthorized use of the plaintiff s script .[8] As noted above, in applying the more searching, context-specific

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[8] In *Desny*, for instance, the plaintiff testified that he had described his movie idea in detail to the defendant's secretary, and that she had taken extensive notes of the conversation to relay to her boss. 46 Cal. 2d at 726. The plaintiff also testified that he had "made it clear to her that I wrote the story and that I wanted to sell it . . . and therefore if anybody used it they will have to pay for it." *Id.* at 727. He also testified that the secretary "said that if Billy Wilder of Paramount uses the story, `naturally we will pay for it.'" *Id.*

preemption analysis that has become the majority rule, courts have found that some breach of implied contract claims may survive preemption where the plaintiff engaged in face-to-face meetings with the defendant or had a prior relationship or course of dealing. *See, e.g., Groubert v. Spyglass Entertainment Group LP*, 63 U.S.P.Q.2d 1764, 1767 (C.D. Cal. 2002); *Chesler/Perlmutter Prod'ns, Inc. v. Fireworks Entertainment, Inc.*, 177 F. Supp. 2d 1050, 1055, 1059 (C.D. Cal. 2001).

IV. READ BROADLY, THE PANEL'S PREEMPTION RULING THREATENS TO UPSET THE BALANCE STRUCK BY THE COPYRIGHT ACT BETWEEN PROTECTING CREATIVE EXPRESSION AND PREVENTING MONOPOLIZATION OF THE IDEAS EMBODIED IN THAT EXPRESSION.

In the Copyright Act, Congress struck a "delicate balance" between protecting works of authorship and ensuring that the ideas they embody remain available to the world. As the Supreme Court has explained, the Act aims to balance the "interests of authors ... in the control and exploitation of their writings ... and society's competing interest in the free flow of ideas, information, and commerce . . . ." *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 429 (1984).[9] This balance is achieved in part through the Copyright Act's recognition of a fundamental dichotomy between ideas and expression, protecting the latter but not the former. See 17 U.S.C. 102(b).

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[9] The Second Circuit similarly described this balance in *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 982 F.2d 693 (2d Cir. 1992): "[T]he copyright law seeks to establish a delicate equilibrium. On the one hand, it affords protection to authors as an incentive to create, and, on the other, it must appropriately limit the extent of that protection so as to avoid the effects of monopolistic stagnation." *Id.* at 696.

Preserving this balance also has been recognized as an important consideration in federal preemption analysis. *See, e.g., Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 167 (1989).[10] State laws are preempted under the Supremacy Clause where they attempt to provide additional protection to works of authorship that conflict with the balance drawn by Congress under federal law. *See Aronson v. Quick Point Pencil Co.*, 440 U.S. 357, 262 (1979) (state contract law will be preempted where it "stands as an obstacle to the accomplishment of the full purposes and objectives of Congress") (quoting *Hines v. Davidowitz*, 312 U.S. 52, 67 (1941)); *Goldstein v. California*, 412 U.S. 546, 559 (1973) (same with respect to copyright law). Under this analysis, states may not remove facts and ideas from the public domain by affording them "copyright-like" protection under state law. *See, e.g., Harper & Row, Publishers v. Nation Enterprises*, 723 F.2d 195, 200-02 (2d Cir. 1983), *rev'd on other grounds*, 471 U.S. 539 (1984).[11]

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[10] The Supreme Court held that states may not forbid the copying of that which the copyright and patent laws purposely leave in the public domain, because such restrictions would interfere with federal policy: "Where state law offers patent-like protection for ideas deemed unprotected under the present federal scheme, [state law] conflicts with the strong federal policy favoring free competition in ideas." *Bonito Boats*, 489 U.S. at 167. This Court affirmed this principle in *Summit Machine Tool Mfg. Corp. v. Victor CNC Sys., Inc.*, 7 F.3d 1434, 1441 (9th Cir. 1993) (state law misappropriation claim was preempted by copyright and patent law to the extent it was based on "the time and effort expended in the development and production of [plaintiff's] idea for the [product]").

[11] See also *Hoehling v. Universal City Studios, Inc.*, 618 F.2d 972, 980 (2d Cir. 1980) ("[w]here, as here, historical facts, themes, and research have been deliberately exempted from the scope of copyright protection to vindicate the overriding goal of encouraging contributions to recorded knowledge, the states are pre-empted from removing such material from the public domain").

The Panel Opinion threatens to upset this careful balance by effectively giving "copyright-like" protection to the ideas contained in a script, even where the expression of those ideas has not been infringed. The Opinion contravenes one of the core policies of the Copyright Act by enabling a plaintiff to protect ideas under state law merely by alleging (hypothetical) access to and unauthorized use of his ideas and labeling the claim "breach of implied contract" - in the absence of any direct dealings with the defendant from which an express or implied promise to pay the plaintiff for his ideas could actually arise.

By eroding the ability of defendants to dispose of meritless claims at the motion stage, the Panel's sweeping decision risks lengthening by miles the parade of baseless idea submission claims that already arise in the wake of nearly every successful film or television show. Some observers already have construed the Panel Opinion as marking a massive expansion of idea submission law. A recent New *York Times article*, for example, characterized the Panel Opinion as "declar[ing] that movie and TV executives enter an implied contract every time they read a script."[12] *The Los Angeles Daily Journal* similarly predicted that the decision could cause studios to "face a flood of new claims" based on plaintiffs' non-copyright theories of liability.[13]

This Court should grant the Petition for Rehearing to take into account the numerous decisions—ignored by the Panel—that have embraced a more substantive and searching analysis of whether and in what circumstances an implied contract claim will survive copyright preemption, to provide coherent guidance to lower courts and members of the entertainment

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[12] See Appendix A (Anne Thompson, *Appeals Court Ruling May Shift Power To Writers, The New York Times*, Oct. 13, 2004).

[13] See Appendix B (Blair Clarkson, *Panel Limits Studio's Reliance On Copyright Act's Protection*, L.A. Daily Journal, Sept. 10, 2004).

industry in this complex area of law, and to ensure that the careful balance struck by Congress in the Copyright Act is not disrupted. For all of these reasons, amici respectfully request that this Court grant the Petition for Rehearing.

RESPECTFULLY SUBMITTED this 4TH day of November, 2004.

DAVIS WRIGHT TREMAINE LLP

By:/s/ _____
Kelli L. Sager

Attorneys for *Amici Curiae*

(2)

No. 04-1682

Supreme Court, U.S.
FILED
JUL 15 2005
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In The
Supreme Court of the United States

MIRAMAX FILM CORP., MIRAMAX BOOKS, SPANKY PICTURES, INC., DAVID LEVIEN, BRIAN KOPPELMAN, TED DEMME, and JOEL STILLERMAN,

Petitioners,

v.

JEFF GROSSO,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

RESPONSE TO PETITION FOR WRIT OF CERTIORARI

STEVEN J. RENICK
Counsel of Record
JOHN A. MARDER
SYLVIA HAVENS
MANNING & MARDER
KASS, ELLROD, RAMIREZ LLP
660 So. Figueroa Street,
23rd Floor
Los Angeles, California 90017
Telephone: (213) 624-6900

Attorneys for Respondent

COCKLE LAW BRIEF PRINTING CO. (800) 225-6964
OR CALL COLLECT (402) 342-2831

QUESTIONS PRESENTED

1. Did the Ninth Circuit correctly determine that a state law claim for breach of implied contract is not preempted under the 1976 Copyright Act, so that when a studio uses an artist's ideas on the promise that the studio will pay, the studio can be held to that promise?

2. Consistent with other Circuits, did the Ninth Circuit correctly determine that a state law claim for breach of implied contract is qualitatively different, and thus not preempted?

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OPINIONS BELOW

Please see Petitioners' discussion of the Opinions and Orders Below.

JURISDICTION

Please see Petitioners' statement of Supreme Court Jurisdiction.

STATUTES OR OTHER PROVISIONS INVOLVED

This case involves California state law, as set forth in California state court decisions such as *Desny v. Wilder*, 46 Cal.2d 715 (1956).

PROLOGUE

Title: *License to Steal*
Author: Production Studio
Genre: Fantasy/Horror

Scene: Executive producer's office.

Players: Movie studio executive, publishing company employee, and studio's corporate counsel.

Staging: Executive desk dominating room, floor to ceiling windows with downtown view, leather corner seating, copies of *The Shell Game* scattered on floor and tables.

Movie Studio Executive: (Putting aside copy of *The Shell Game*.) What an interesting read – Love the idea of

doing something with Texas Hold 'Em. Never been done before. The audience will eat up all the poker jargon! Y'all know the studio needs something fresh. Thanks for the script (referring to Publishing Co. employee).

Publishing Co. Employee: Hey, don't mention it, buddy. After all the years I worked with you, the least I can do is bring you the good ideas.

Movie Studio Executive: Okay, enough with the sales job – let's talk turkey. How much is this idea going to cost me?

Publishing Co. Employee: Money, money, money. It's always about money with you. (Everyone laughs.) But don't worry, buddy – it's a real bargain. The beauty of these ideas? We don't have to pay a dime for them!

(Movie Studio Executive and Counsel raise eyebrows, looking incredulous.)

Movie Studio Executive: How's that? Nothing's free in this business. You know that! Everyone expects to be paid. This business is greased by ideas and you're trying to tell me I don't have to pay for this novel idea? You've got my attention.

Publishing Co. Employee: Here's how this sweet deal works. My company advertized that it was accepting submissions. This guy sends in this script and I come across it – I like his ideas and figure you would too. But, Mr. Idea Man doesn't know I've shown it to you. What he doesn't know won't hurt him (laughing) – but, heck, it'll help us!

Movie Studio Executive: But Mr. Idea Man will know as soon as my studio uses his ideas in a movie that we've used his ideas and then I'm lookin' at a lawsuit. I'll have to pay sooner or later.

Publishing Co. Employee: Ah, but that's where the sweet part of this scheme comes in. We can use the federal Copyright Law to cut Mr. Idea Man completely out of the picture! Let me explain: we use only the ideas – be careful not to plagiarize because that'll get you cross-wises with copyright. Just take the ideas because ideas aren't protected under copyright law.

Corporate Counsel: Maybe so – but ideas *are* given protection under California law. Ever since 1956, when the California Supreme court decided *Desny v. Wilder*, 46 Cal.2d 715 (1956), you can't just go around stealing ideas in California.

Publishing Co. Employee: Such attorney-speak! Think outside the box, man! Okay, we've got to deal with *Desny* but we can argue copyright preempts *Desny*. Even though California law would protect the little guys, we can argue federal copyright law takes away that protection. That leaves Mr. Idea Man at our mercy! He didn't get a signed contract, saying we'd pay. So, the way I figure, Mr. Idea Man is out of luck. We can drum him out of court using a little club I like to call, The Copyright Law.

Movie Studio Executive: So, you're saying we can use this guy's idea without paying – use copyright law as a license to steal? I can live with that – give me that script, we've got a movie to produce! And send me more stuff – I've got a feeling I'm going to be getting good ideas for a long time to come.

(Fade to black with players huddled over script, making marks and highlighting passages.)

The forgoing is not from a horror film but represents exactly what Petitioners seek to accomplish: do away with

state law protection so that movie studios can pillage ideas without consequence. The Ninth Circuit correctly decided that Petitioners' position is without merit. In doing so, the Ninth Circuit joined its sister circuits in finding exactly the same thing: that state law protection for ideas under an implied contract theory is not preempted by the Copyright Act of 1976.

Respondent and plaintiff, Jeff Grosso (Mr. Grosso) filed his state law action based on state law claims in state court in August of 1999 – six years ago. Mr. Grosso should be allowed to finally litigate his state law cause of action in state court. Across the country, however, writers still struggle against powerful industry giants who continue to argue that the Copyright Act of 1976 grants a license to steal. If the United States Supreme Court grants certiorari, it should be to affirm the Ninth Circuit.

STATEMENT OF THE CASE

Petitioners distort Mr. Grosso's allegations. Petitioners are fully aware that throughout this litigation, Mr. Grosso has tried to limit his action to state law claims. Mr. Grosso filed his lawsuit in state court and alleged only state law claims. Mr. Grosso did *not* allege copyright.

Yet Petitioners try to color Mr. Grosso's claim as if "Respondent alleges that the exact same conduct– unauthorized use of his screenplay – both violates his implied contractual rights and also constitutes copyright infringement." Petition (Statement of the Case), p. 3. What Petitioners neglect to inform this Court is that this pleading resulted *only* because Petitioners insisted that Mr. Grosso had only a copyright claim. When the district court agreed

with Petitioners and mistakenly told Mr. Grosso that his implied contract claim was preempted and unmaintainable, Mr. Grosso was forced to allege a claim for copyright infringement.

Mr. Grosso never wanted to plead copyright and struggled to maintain his state law claim. But, when left with a choice of "out of court" or copyright, Mr. Grosso alleged, under protest, a copyright infringement claim. However, the "gravamen" of Mr. Grosso's claim is and has always been that Petitioners breached their implied contract with Mr. Grosso – a state law claim which belongs in state court.

ARGUMENT

The Ninth Circuit's opinion re-affirms that state contract law can protect against the uncompensated use of another's ideas. Long ago, the California Supreme Court decided *Desny v. Wilder*, 46 Cal.2d 715, 733 (1956) and recognized a simple principle: "[i]f a studio wishes to have an idea disclosed to it . . . it is difficult to see how any hardship is involved in requiring payment of the reasonable value of the material submitted." All circuits across the nation should allow this vital state contract protection.

The decades following *Desny* passed without lawsuits getting out of control. The floodgates of litigation were not ripped open. People were not rushing to the courthouse in the 1950s, 1960s or 1970s to file *Desny*-based cases. For over forty (40) years, the applied law in California was *Desny v. Wilder* and no dramatic consequences resulted. The only result was that ideas were given protection.

Yet Petitioners would have this Court believe that the Ninth Circuit opinion "opens the floodgates to run-of-the-mill copyright cases." Petition (Statement of the Case), p. 2. If this were true, Petitioners should be able to point to the "flood" of cases filed after *Desny v. Wilder*. Petitioners did not. If Petitioners' statement were true, Petitioners should be able to point to the "flood" of litigation filed after the Ninth Circuit's opinion. Petitioners did not. The simple truth is that the Ninth Circuit opinion correctly allows the continued viability of a much-needed state law protection, a protection that has been in existence for over forty years without ever creating a "flood" of litigation and without running into conflict with copyright principles.

Petitioners call for "predictable rules." Petition (Statement of the Case), p. 2. A rule which has existed for over forty years is certainly "predictable."

COURTS ACROSS THE NATION RECOGNIZE THAT AN IMPLIED CONTRACT CLAIM AND/OR IDEA PROTECTION IS "QUALITATIVELY DIFFERENT" FROM COPYRIGHT AND *NOT* PREEMPTED

In deciding *Grosso v. Miramax*, the Ninth Circuit echoed what is supported by its prior authority, what the California entertainment industry expected, and what has been recognized in circuits across the country. Specifically, the Ninth Circuit found that a state law implied contract claim – recognized by the California Supreme Court in its seminal decision, *Desny v. Wilder*, 46 Cal.2d 715 (1956) – is *not* preempted by the Copyright Act of 1976. The rule of *Desny* is simple:

> "If a studio wishes to have an idea disclosed to it and finds that idea of sufficient value to make use of it, it is difficult to see how any hardship is involved in requiring payment of the reasonable value of the material submitted." *Id.*, at p. 733.

Petitioners maintain they are free to solicit and use any ideas submitted in clear expectation of compensation, because implied contracts and/or ideas are not afforded protection under the Copyright Act. Petitioners argue that "the Ninth Circuit's decision improperly allows Respondent . . . suing on mere implied expectation of payment . . . to avoid copyright preemption." Petition (Statement of the Case), p. 6. It is Petitioners' position which is "improper." If a studio uses an artist's ideas on the promise that the studio will pay, the studio should be held to that promise.

Petitioners claim that the Ninth Circuit opinion "deepens a split in the Circuits over copyright preemption." Petition (Statement of the Case), p. 2. Petitioners are disingenuous. Petitioners cite only a single case as evidence of an alleged "split" regarding preemption of contract claims but that case – *Ritchie v. Williams*, 395 F.3d 283 (6th Cir.2005) – is factually inapplicable and did not address an implied contract claim, the type of claim at issue here. Nor did the *Ritchie* Sixth Circuit case purport to overrule the Sixth Circuit's earlier decision which expressly held that implied contract claims are *not* preempted. *See Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446 (6th Cir.2001). Thus, contrary to Petitioners' assertion, *all* circuits deciding the issue of contract claims, with only one inapplicable exception, have found exactly as the Ninth Circuit: contract claims in general, and implied in fact contract claims specifically, are not preempted.

A. The Federal Circuit (applying First Circuit law)

In *Bowers v. Baystate Tech., Inc.*, 320 F.3d 1317, 1323 (Fed.Cir.2003), *cert. denied*, 539 U.S. 928 (2003), the Federal Circuit twice considered and twice rejected a preemption argument, finding that "the Copyright Act does not preempt or narrow the scope of [the plaintiff's] contract claim."

"Courts respect freedom of contract and do not lightly set aside freely-entered agreements . . . ¶¶ [T]he Copyright Act does not preempt the state contract action in this case. Indeed, most courts to examine this issue have found that the Copyright Act does not preempt contractual constraints on copyrighted articles." *Id.*, pp. 1324-1325, citations omitted.

B. The Fourth Circuit

In *Acorn Structures, Inc. v. Swantz*, 846 F.2d 923 (4th Cir.1988), the Fourth Circuit rejected the argument that contract claims were preempted:

> "Plaintiff's claim for breach of contract entails a distinct cause of action which is clearly not within the subject matter of copyright but arises out of the implicit contractual provisions of the design agreement. . . . Implicit in the contract . . . was an agreement that while [the defendant] did not have to use [plaintiff's] plans, if he did use [plaintiff's] plans then he was obligated either to purchase the plans from [plaintiff] or to purchase his building materials from [plaintiff] . . . ¶ Accordingly, we hold that the district court erred in its judgment that plaintiff's claim for

breach of contract is preempted by federal copyright law." *Id.*, at p. 926.

C. The Fifth Circuit

In *Taquino v. Teledyne Monarch Rubber,* 893 F.2d 1488 (5th Cir.1990), the Fifth Circuit also addressed a breach of contract claim and also found that preemption would be improper:

> "This action for breach of contract involves an element in addition to mere reproduction, distribution or display: the contract promise made by Taquino, therefore, it is not preempted." *Id.*, at p. 1501.

D. The Sixth Circuit

In *Wrench LLC v. Taco Bell Corp.,* 256 F.3d 446 (6th Cir.2001), *cert. denied,* 534 U.S. 1114 (2002), the Sixth Circuit specifically addressed whether an implied contract claim was preempted. The Sixth Circuit clearly held that such a claim was *not* preempted.

> "[The breach was] not the use of the work alone but the failure to pay for it. . . . Thus, the state law right is not abridged by an act which in and of itself would infringe one of the exclusive rights granted by [section] 106, since the right to be paid for the use of the work is not one of those rights. ¶ . . . The extra element is the promise to pay. This extra element does change the nature of the action so that it is qualitatively different from a copyright infringement claim." *Id.*, at p. 456.

E. The Seventh Circuit

In *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447 (7th Cir.1996), the Seventh Circuit recognized that contract claims are qualitatively different and not preempted:

> "Copyright law forbids duplication, public performance, and so on, unless the person wishing to copy or perform the work gets permission; silence means a ban on copying. A copyright is a right against the world. Contracts, by contrast, generally affect only their parties; strangers may do as they please, so contracts do not create 'exclusive rights.'" *Id.*, at p. 1454.

F. The Eighth Circuit

In *National Car Rental System, Inc. v. Computer Association, Int'l, Inc.*, 991 F.2d 426 (8th Cir.1993), *cert. denied*, 510 U.S. 861, 114 S.Ct. 176, 126 L.Ed.2d 136 (1993), the Eighth Circuit joined its sister circuits by recognizing:

> "[T]he contractual restriction on use of the programs constitutes an additional element making this cause of action *not* equivalent to a copyright action." *Id.*, at pp. 431-432.

G. The Ninth Circuit

The Ninth Circuit had previously ruled consistent with *Grosso v. Miramax*: "Our prior decision in *Landsberg v. Scrabble Crossword Game Players, Inc.*, 802 F.2d 1193, 1196-97 (9th Cir. 1986), supports treating the implied promise to pay required by *Desny* as an 'extra element' for preemption purposes." Petition (Appendix A), pp. 3a-4a.

H. The Eleventh Circuit

The Eleventh Circuit, in *Lipscher v. LRP Publications, Inc.*, 266 F.3d 1305 (11th Cir.2001), also rejected preemption of contract claims:

> "[The] contract claim was not preempted by the Copyright Act [because . . .] through its breach of contract claim, [the plaintiff] sought to enforce rights created by a simple two-party contract, not copyright rights . . . [C]ourts generally read preemption clauses to leave private contracts unaffected." *Id.*, at pp. 1318-1319.

As an alternative basis for denying preemption, the Eleventh Circuit has recognized, in *Dunlap v. G&L Holding Group, Inc.*, 381 F.3d 1285 (11th Cir.2004) that ideas are expressly excluded from copyright coverage and therefore idea protection falls outside of copyright jurisdiction.

> "Ideas are substantively ineligible for copyright protection and, therefore, are categorically excluded from the subject matter of copyright. Thus, we conclude that a plaintiff's claim for conversion of his ideas – even original ideas expressed in a tangible medium – is not preempted by the Copyright Act." *Id.*, at p. 1297.

I. The California Court of Appeal, Second Appellate District

The Second District Court of Appeal for the State of California also rejected preemption in *Kabehie v. Zoland*, 102 Cal.App.4th 513, 528 (2002):

> "We agree with the majority view. The mere breach of the promise inherent in every contract

> does not constitute the requisite extra element unless the promise creates a right qualitatively different from copyright. A right that is qualitatively different from copyright includes a right to payment, a right to royalties, or any other independent covenant. These qualitatively different rights constitute the requisite extra element. These breach of contract actions are not preempted by federal copyright law."

The vast majority of California district courts also reached the proper conclusion that the Copyright Act of 1976 does *not* preempt a breach of implied contract claim. *See, e.g., Trenton v. Infinity Broadcasting Corp.*, 865 F.Supp. 1416 (C.D.Cal.1994); *Lattie v. Murdach*, 1997 WL 33803, 42 U.S.P.Q.2d 1240 (N.D.Cal.1997); *Canter v. West. Pub. Co.*, 31 F.Supp.2d 1193, 1999 WL 11701 (N.D.Cal.1999) (withdrawn from publication); *Miller v. Miramax Film Corp.*, CV 99-8526 DDP(AJWx) (C.D.Cal.1999); *Firoozye v. Earthlink Network*, 153 F.Supp.2d 1115 (N.D.Cal.2001); and *Groubert v. Spyglass Entm't Group, LP*, 2002 U.S. Dist. LEXIS 17769, *12-*13 (C.D.Cal.2002):

> "Plaintiff met with Defendants in order to present them with his idea for a movie, and, according to Plaintiff, there was an understanding between the parties that if Defendants were to actually make a movie out of this idea, then Plaintiff would be compensated . . . ¶ This is not the equivalent to copyright law."

The majority of lower courts from other circuits have similarly found that the Copyright Act of 1976 does not preempt the type of claim asserted here. *See, e.g., Davidson & Assocs. v. Internet Gateway*, 334 F.Supp.2d 1164, 1175 (D. Mo.2004); *Hotsamba, Inc. v. Caterpillar Inc.*, 2004 U.S. Dist. LEXIS 4882 (D.Ill.2004); *Video Pipeline, Inc. v.*

Buena Vista Home Entertainment, Inc., 210 F.Supp.2d 552 (D.N.J.2002); *Katz Dochrermann & Epstein, Inc. v. Home Box Office*, 1999 WL 179603 (S.D.N.Y.1999); *Lennon v. Seaman*, 63 F.Supp.2d 428 (S.D.N.Y.1999); *Levin v. The Gap, Inc.*, 1998 WL 915897 (S.D.N.Y.1998); *Expediters Int'l of Washington v. Direct Line Cargo Management Services, Inc.*, 995 F.Supp. 468, 48 U.S.P.Q.2d 1576 (D.N.J.1998); *Architectronics, Inc. v. Control Systems, Inc.*, 935 F.Supp. 425 (S.D.N.Y.1996); *SBK Catalogue P'ship v. Orion Pictures Corp.*, 723 F.Supp. 1053 (D.N.J.1989); *Brignoli v. Balch Hardy and Scheinman, Inc.*, 645 F.Supp. 1201 (S.D.N.Y.1986); *Mayer v. Josiah Wedgwood & Sons, Ltd.*, 601 F.Supp. 1523 (S.D.N.Y.1985); *Smith v. Weinstein*, 578 F.Supp. 1297, 1307 (S.D.N.Y.1984), *aff'd*, 738 F.2d 419 (2nd Cir.1984).

Scholars have similarly found that while "ideas" are not protected under copyright (17 U.S.C. § 102), ideas can find protection in state law.

- "[C]ontracts and copyright should not be viewed as rivals. Consequently, idea men, although logically deprived of any remedy on the ground of copyright infringement should nevertheless be able to obtain compensation for their idea submitted pursuant to a contract." *Idea Men Should be Able to Enforce Their Contractual Rights*, 6 Vand. J. Ent. L. & Prac. 75, 76 (2003).

- "The implied contract became vital to pitch people throughout the entertainment industry. That is because, absent protection under an implied-contract theory, 'idea men' lacking an express agreement promising compensation are not well-protected." *Grosso Helps Hollywood Writers*, Los Angeles Daily Journal, Sept. 28, 2004, at 6, col. 3.

Petitioners try to create a "split" by relying on *Ritchie v. Williams*, 395 F.3d 283 (6th Cir.2005). Petitioners' reliance is misplaced. *Ritchie v. Williams* does not purport to deal with a claim for breach of implied contract. The case cannot stand for a proposition not addressed. Nor does the Sixth Circuit (which decided *Ritchie v. Williams*) purport to reject its earlier decision of *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446 (6th Cir.2001), *cert. denied*, 534 U.S. 1114 (2002) which expressly held that an implied contract claim is *not* preempted. The Sixth Circuit, thus, remains consistent with the Ninth Circuit's decision.

Petitioners also claim that the "Ninth Circuit's decision directly conflicts with the Second Circuit's recent decision in *Briarpatch [Ltd. v. Phoenix Pictures, Inc.*, 373 F.3d 296, 305 (2d Cir.2004)]." Petition (Argument), p. 11. To make this claim, Petitioners must distort the *Briarpatch* decision. That case dealt with a claim of unjust enrichment, *not* of implied contract. The analysis and treatment in *Briarpatch* of a completely different type of claim (unjust enrichment) does not "conflict" with the Ninth Circuit's treatment of an implied contract claim. Indeed, in the very opinion at issue here, the Ninth Circuit also recognized, consistent with the *Briarpatch* decision, that a cause of action for unjust enrichment would be preempted. *See* Petition (Appendix A), p. 4a, citing *Del Madera Props. v. Rhodes & Gardener, Inc.*, 820 F.2d 973 (9th Cir.1987).

Petitioners also try to create a "split" by claiming that the Fourth Circuit's decision in *Berge v. Board of Trustees of the Univ. of Alabama*, 104 F.3d 1453 (4th Cir.1997) is somehow "in conflict" with the instant opinion. Again, Petitioners have to mix apples with dog bowls to make such an assertion. *Berge* dealt with a tort conversion

claim, not a contract claim. The two simply are not comparable.

Petitioners claim that the Ninth Circuit "simply equated the existence of the 'extra element' with a 'qualitative difference,' collapsing the two requirements into one." Petition (Argument), p. 11. Petitioners grossly take amiss the opinion. The Ninth Circuit recognized that to avoid preemption, "the state law cause of action must protect rights that are qualitatively different from the rights protected by copyright" and that allegations in the instant case "transform[] that action from one arising under the ambit of the federal statute to one sounding in contract." Petition (Appendix A), pp. 3a-4a. Thus, the Ninth Circuit looked to whether there was an extra element and whether that extra element rendered the cause of action qualitatively different.

Congress never intended for copyright to kill contract claims. Recognizing that copyright law does not protect the ideas and concepts of writers pitched to producers, Mr. Grosso chose to seek redress under California law, where the California Supreme Court has guaranteed protection in its landmark ruling *Desny v. Wilder*. This seminal case affords a different protection than copyright law, by recognizing that ideas and concepts may be the subject of a contract and therefore the promises or implied promises of the parties to pay for the use of the ideas may be enforceable by state contract law. This *Desny* claim was designed to protect Hollywood's most precious and valuable resource, movie concepts, which are pitched daily throughout the industry and are not protected by copyright law. The Ninth Circuit's decision merely re-affirms the protection long afforded by *Desny*. Of the Ninth Circuit's opinion, one entertainment lawyer commented, "Now

that wasn't so hard after all." *Grosso Helps Hollywood Writers*, Los Angeles Daily Journal, Sept. 28, 2004, at p. 6, col. 3.

Petitioners appear to take issue with "idea men" having multiple theories of recovery. Petition (Factual Background), pp. 3-4. However, it has long been the case that injured artists might have multiple theories of recovery. For example, copyright and trademark exist side-by-side, one not preempting the other, because each protects a different right. *Compare* Copyright Act, 17 U.S.C. § 101 *et seq. with* the Lanham Act, 15 U.S.C. § 1125. *See also, Comedy III Prods., Inc. v. New Line Cinema*, 200 F.3d 593, 595 (9th Cir.2000) (recognizing different protections under copyright and trademark). So too with copyright and implied contract claims: each is a qualitatively different claim and protects a different right.

The unfortunate, but undeniable reality in Hollywood is that writers need *Desny's* different protection. "Hollywood is notorious for its capacity to delude and pluck even the most cynical and astute adults." *Idea-Theft Suits Run Amok in Land of Celluloid Dreams*, Daily Journal, August 27, 2002, p. 1. First-time writers, like Mr. Grosso, are especially at the mercy of powerful Hollywood producers, like Miramax. For these people, and even known creative geniuses, there would be no means to force producers to pay for stolen ideas. *Desny* is the only recourse, the only remedy. The Ninth Circuit correctly recognized the importance and continued viability of *Desny*. The Ninth Circuit's sound decision should stand.

CONCLUSION

To the extent state law is permitted to extend protection to ideas, that protection is properly not preempted by copyright. The Ninth Circuit's decision is correct and should stand.

Respectfully submitted,

STEVEN J. RENICK
Counsel of Record
JOHN A. MARDER
SYLVIA HAVENS
MANNING & MARDER
KASS, ELLROD, RAMIREZ LLP
660 So. Figueroa Street,
23rd Floor
Los Angeles, California 90017
Telephone: (213) 624-6900

Attorneys for Respondent

Dated: July 15, 2005

No. 05-128

Supreme Court, U.S.
FILED
OCT 6 - 2005
OFFICE OF THE CLERK

IN THE

Supreme Court of the United States

HOWARD DELIVERY SERVICE, INC., Debtor, and the OFFICIAL COMMITTEE of UNSECURED CREDITORS of HOWARD DELIVERY SERVICE, INC.,

Petitioners,

v.

ZURICH AMERICAN INSURANCE COMPANY,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FOURTH CIRCUIT

RESPONSE

MARGARET M. ANDERSON
Counsel of Record
HUGH S. BALSAM
TIMOTHY S. MCFADDEN
LORD, BISSELL & BROOK LLP
115 South La Salle Street
Chicago, IL 60603
(312) 443-0700

Attorneys for Respondent

196994

COUNSEL PRESS
(800) 274-3321 • (800) 359-6859

CORPORATE DISCLOSURE STATEMENT

The respondent is Zurich American Insurance Company. Its parent corporations are Zurich Holding Company of America, Inc., Zurich Insurance Company, Crown Management Services Limited, Zurich Group Holding, Zurich Financial Services, and Allied Zurich p.l.c.

No publicly held company owns 10% or more of respondent's stock.

I

RESPONSE TO PETITION FOR *CERTIORARI*

Zurich does not oppose *certiorari*.

Respondent Zurich American Insurance Company acknowledges that the Fourth Circuit's decision in this case has contributed to a widening split of authority among the Circuit Courts of Appeals on the question whether prepetition claims for unpaid workers' compensation insurance premiums are entitled to priority under former section 507(a)(4) of the Bankruptcy Code, now codified at 11 U.S.C. § 507(a)(5) (2005). Because of the importance of the question presented, Zurich agrees that, absent Congressional intervention, the issue should be resolved by this Court. Although Congress recently overhauled the Bankruptcy Code, it did not address this issue. Hence, Zurich has determined not to oppose *certiorari*.

If the Court grants *certiorari*, we will argue that it should affirm the Fourth Circuit's decision because, as Judge King found in his concurring opinion, the applicable statutory term—"contributions to an employee benefit plan arising from services rendered"—is unambiguous, and includes premiums for workers' compensation insurance. *In re Howard Delivery Service, Inc.*, 403 F.3d 228, 238 (King, J., concurring). Hence, there is no need to resort to legislative history or other rules of construction. *Id.* at n.14; *see also Lamie v. United States Trustee*, 540 U.S. 526, 534, 124 S. Ct. 1023, 1030 (2004) (where statutory term is unambiguous, no need to consult legislative history). But even if the legislative history or other rules of construction are consulted, as Judge Shedd determined in his separate concurring opinion, the result should be the same: priority accorded the claim here. *In re Howard Delivery Service, Inc.*, 403 F.3d at 241 (Shedd, J., concurring).

Respectfully submitted,

MARGARET M. ANDERSON
Counsel of Record
HUGH S. BALSAM
TIMOTHY S. MCFADDEN
LORD, BISSELL & BROOK LLP
115 South La Salle Street
Chicago, IL 60603
(312) 443-0700

Attorneys for Respondent

Supreme Court, U.S.
FILED
.J 8 - 2005
OFFICE OF THE CLERK

(3)

No. 04-1682

IN THE

Supreme Court of the United States

MIRAMAX FILM CORP., MIRAMAX BOOKS, SPANKY PICTURES, INC., DAVID LEVIEN, BRIAN KOPPELMAN, TED DEMME, and JOEL STILLERMAN,
Petitioners,

v.

JEFF GROSSO,
Respondent.

Petition for Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

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REPLY BRIEF FOR PETITIONER

ALAN R. FRIEDMAN
MIRAMAX FILM CORP.
375 Greenwich Street
New York, NY 10013
(212) 965-4246

GAIL MIGDAL TITLE
Counsel of Record
JOEL R. WEINER
STACEY MCKEE KNIGHT
JENNIFER L. LALLITE
KATTEN MUCHIN ROSENMAN LLP
2029 Century Park East
Suite 2600
Los Angeles, CA 90067
(310) 788-4400

Attorneys for Petitioners

WILSON-EPES PRINTING CO., INC. – (202) 789-0096 – WASHINGTON, D.C. 20001

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REPLY BRIEF FOR PETITIONER

This Petition presents complex issues of national importance regarding the preemptive effect of the Copyright Act on state-law claims for breach of implied contract. The exploitation of copyrighted works has an enormous impact on commerce, and the preemptive force of the Copyright Act serves the interests of businesses and citizens in virtually all industries, in all states, who require predictability and uniformity in the rules governing the use of intellectual property. Thus, in addressing the Copyright Act, this Court has stated that "it is peculiarly important that the law's boundaries be demarcated as clearly as possible," *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 517-18 (1994), and Congress has completely preempted the field in order to "avoid the development of any vague borderline areas between State and Federal protection." H.R. Rep. No. 94-1476 at 129 (1976), *reprinted in* 1976 U.S.C.C.A.N. at 5745, reprinted at Pet. App. 71a. The Ninth Circuit's opinion in *Grosso v. Miramax Film Corp.*, 383 F.3d 965, *amended by* 400 F.3d 658 (9th Cir. 2005), eviscerates the clear boundaries of copyright law by permitting state law copyright claims to proceed under the guise of implied contract and, in reaching this unwarranted result, it deepens the split in the circuits over the proper application of the test for determining copyright preemption.

Rather than respond to the Petition fairly and analytically, Respondent makes light of it, with a self-serving "prologue" based on an inapposite hypothetical. Respondent never addresses the actual facts (as framed by Respondent's own allegations) of the case before the Court, nor Petitioner's legal analysis of the inconsistency in the application of the "extra element" test among the circuits. Respondent also ignores the Sixth Circuit's recent criticism of the extra element test and its plea for guidance. *See Ritchie v. Williams*, 395 F.3d 283 (6th Cir. 2005).

In short, the Response does nothing to rebut the Petition's strong showing warranting Supreme Court review.

In fact, the Response bolsters the Petition. In *Kabehie v. Zoland*, 102 Cal. App. 4th 513, 524-34 (2d. Dist. 2002), relied on in the Response, the California Court of Appeal surveyed the relevant federal law and concluded that "the various [federal] courts have used *different analytical structures* when considering preemption of breach of contract actions" (emphasis added). This is exactly the point of the Petition. Different circuits are applying the test for preemption differently and reaching inconsistent results on similar facts. The confusion reverberates in the state courts, which are forced to choose among the differing approaches taken in the various federal circuits. Consequently, the return to the hodgepodge of state and federal laws that the Copyright Act was designed to avoid is already happening, and there is an urgent need for Supreme Court review.

ARGUMENT

I. THE CLAIM IN THIS CASE, AS OPPOSED TO THE FICTIONAL SCENARIO IN RESPONDENT'S PROLOGUE, IS INDISTINGUISHABLE FROM A COPYRIGHT CLAIM.

The Response contains no statement of facts, but only a make believe "prologue" that distorts the issues. This case is not about an "idea man" invited to pitch concepts to a movie producer under fraudulent circumstances, but rather involves an author of a copyrighted script who never submitted the script to Miramax, and merely speculates that Miramax somehow obtained and used the script. Relevant to Miramax, the Complaint alleges:

> 17. Plaintiff sent his script to Gotham Entertainment Group, which is located in the same building in New York City as Miramax Films. The script [was] specifically sent to Patrick McDarrah, a former Miramax Films Executive.

(Pet. App. 78a.) As reflected in paragraph 17 of the Complaint, Respondent merely "sent" his completed copyrighted

script to a "former" Miramax executive at a *different* company that happened to be located "in the same building" as Miramax in New York City. Respondent alleges no interaction at all with Miramax, much less any pitch meeting, negotiations, or agreement on specific terms.

The claim against Miramax is utterly indistinguishable from a claim for copyright infringement. If a plaintiff can avoid copyright law merely by (1) alleging that a defendant might somehow have indirectly obtained plaintiff's work, and (2) labeling the claim breach of implied contract based on an implied mutual expectation of payment for unauthorized use (which is just another way of saying copyright infringement), then virtually any copyright claim can be couched as an implied contract claim. Permitting such an outcome—as the Ninth Circuit decision does—creates a simple roadmap for future plaintiffs to follow to circumvent the exclusive federal court jurisdiction over copyright claims and the preemptive scope of the Copyright Act.

The Ninth Circuit in *Grosso* reached the wrong result. More importantly, the court reached a different result than other circuits have reached on analogous facts, because it incorrectly assumed that the pleading elements of an implied contract claim automatically made the claim "qualitatively different" from copyright, without looking beyond the label to the core of the claim to evaluate if there was truly a "qualitative" difference.

II. THE CASE AUTHORITIES CLEARLY REFLECT A SPLIT IN THE CIRCUITS ON COPYRIGHT PREEMPTION OF CONTRACT CLAIMS.

The Petition analyzes the split among those circuits that mechanically apply the "extra element" test and those that require a substantive "qualitative difference" in the core or gravamen of the claim. Respondent does not rebut or even address this analysis. Instead, he quotes out-of-context snippets of case authorities (mainly involving negotiated written contracts, not implied contracts) to give the incorrect im-

pression that no inconsistency exists. In fact, upon closer inspection, those authorities further evidence the split in the circuits, and, thus, also support the grant of this Petition. The Response also reveals divisions in the state courts as they struggle to apply the inconsistent federal case authorities on copyright preemption.

A. *Kabehie v. Zoland* Confirms the Existence of a Split in the Federal Circuits and Illustrates the Resulting Confusion in the State Courts.

Respondent denies the existence of a split in the circuits, yet he cites to case authority that specifically identifies the split. In *Kabehie*, 102 Cal. App. 4th at 524-34, the court surveyed the federal case authorities and, though it framed the split somewhat differently than the Petition, concluded that the federal courts have used "different analytical structures" in evaluating preemption of breach of contract claims under the Copyright Act. *Kabehie* found that the federal circuits are in disagreement, if not disarray, in analyzing preemption of contract claims and have reached different results on similar facts because of this division. *Id.*[1] The law is even more complex and confused as applied to implied contract claims. *Id.* at 527 n.9.

Kabehie also reflects the resulting confusion in the state courts caused by the lack of clear federal authority. The concurring judge in *Kabehie* not only disagreed with the majority's choice to follow the line of cases applying the so-called "fact-specific analysis," but he also discussed the analytical inconsistencies even *within* the alternative line of federal case authorities that he preferred to follow, com-

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[1] Notably, *Kabehie* identifies *Taquino*, *ProCD* and *Lipscher*, relied upon by Respondent, as being in the "*minority* of the cases hold[ing] state breach of contract causes of action are never preempted by federal copyright law." *Id.* at 525, 531 (emphasis added). The court in *Bowers v. Baystate Technologies, Inc.*, 320 F.3d 1317, 1325 (Fed. Cir. 2003), characterized the same cases as the *majority* view.

menting that "not all of these authorities are clear, and the theories differ." *Id.* at 532-33. He also noted the differing analytical approaches taken by *Nimmer on Copyright*, which focuses on "the promise in the contract"; Professor Goldstein, who "points to the bargained for exchange"; and Judge Easterbrook, who focuses on the two party relationship, as well as the "inconsistent" pronouncements on federal copyright preemption of contract claims expressed by Professor Nimmer. *Id.* at 532, 533 n.2.

Thus, even judges on the same panel do not agree on prevailing federal law or a coherent analytical framework. This confusion is multiplied across the nation, as state courts across the country are being called upon to interpret federal law on copyright preemption with inadequate and inconsistent guidance from the federal courts.[2] As a result of *Grosso*, *de facto* copyright claims disguised as implied contract claims will not be removable, and, thus, many more disputes that Congress meant to be decided under the uniform strictures of the Copyright Act will, instead, be decided by state courts, resulting in further undermining of Congress's intent to promote national uniformity by acting preemptively through its enactment of the 1976 Copyright Act.

B. The Response Dodges the Central Issues in the Petition and Fails to Meaningfully Analyze the Case Authorities that Demonstrate the Existing Split in the Circuits.

Respondent never disputes the central thesis of the Petition that *Grosso* deepens a division in the circuits in the appli-

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[2] As another example, the Supreme Court of Indiana wrestled with copyright preemption of a breach of contract claim in *Green v. Hendrickson Publishers, Inc.*, 770 N.E.2d 784 (Ind. 2002). In finding the claim preempted, the *Green* court noted the division in the federal authorities and rejected the approach taken by some circuits that breach of contract claims necessarily include an extra element that avoids copyright preemption.

cation of the inadequate extra element test, which division undermines the purpose of the Copyright Act. He barely mentions the lead case authorities discussed in the Petition—*Briarpatch*, *Berge* and *Ritchie*—and makes no mention of *Murray Hill* or *Ritchie's* criticism of the extra element test.

Rather than approach the case authorities cited in the Petition analytically, Respondent reverts to labels to attempt to distinguish them. At their core, however, the unjust enrichment (or quasi contract or implied in law) claim in *Briarpatch* and the conversion claim in *Berge* involved the same type of transaction as in *Grosso*—a claim for reasonable compensation for the unauthorized use of a copyrighted work. *Briarpatch Ltd., L.P. v. Phoenix Pictures, Inc.*, 373 F.3d 296, 306 (2nd Cir. 2004); *Berge v. Board of Trustees of the Univ. of Alabama*, 104 F.3d 1453, 1463 (4th Cir. 1997). Further, despite the similar nature of the claims, *Briarpatch* and *Berge* found the claims preempted whereas *Grosso* did not. Respondent ignores this inconsistency. Respondent attempts to distinguish *Ritchie* on the ground that it involved an express contract, yet most of the case authorities relied upon by Respondent also involved express written contracts. Ironically, that *Ritchie* found an express written contract preempted while the case authorities cited by Respondent did not, *supports* the Petition, by further illustrating the prevailing split in the circuits.

Respondent fails to address at all *Murray Hill Publications, Inc. v. ABC Communications, Inc.*, 264 F.3d 622, 637-38 (6th Cir. 2001), a case discussed in the Petition which is substantively indistinguishable from *Grosso.* In *Murray Hill*, the court held preempted an unjust enrichment claim based on plaintiff's allegation that the defendant "was aware that Plaintiffs intended to be fully compensated in the event that Defendant desired to make use of Plaintiffs' [work]," finding that the alleged awareness of expectation of compensation was not an "extra element" sufficient to alter the fundamental nature of the claim. *Id.* at 637-38. In *Grosso,* Respondent similarly alleged that he submitted his idea "with the under-

standing and expectation, fully and clearly understood by Defendants, that Plaintiff would be reasonably compensated for its use by Defendants." (Pet. App. 78a, Complaint, paragraphs 13, 17.)[3] Based on these virtually identical allegations, *Grosso* found the claim not preempted, merely because it was labeled implied in fact contract rather than unjust enrichment (or quasi contract or implied in law contract). Respondent does even not attempt to harmonize these case authorities, because they are manifestly inconsistent and clearly demonstrate a split in the circuits. Congress did not intend for Federal Court jurisdiction to be so easily evaded and the Copyright Act provisions to be rendered meaningless based upon the whim of the plaintiff in choosing how to label its claim for relief.[4]

C. The Case Authorities Relied Upon By Respondent Confirm the Existence of a Fundamental Division in the Federal Courts Concerning Copyright Preemption of Breach of Contract Claims.

Even the case authorities that Respondent cites to try to show consistency in the circuits confirm a fundamental split regarding the proper application of the test for determining preemption of state law contract claims. Some analyzed copyright preemption of contract claims qualitatively. For

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[3] Though *Grosso* referenced an "implied promise to pay" in analogizing to *Landsberg v. Scrabble Crossword Game Players, Inc.*, 802 F.2d 1193 (9th Cir. 1986), there is no such allegation in Grosso's complaint, as Grosso alleges merely an "understanding and expectation" of payment (Pet. App. 78a), which, given the utter absence of any interaction between Grosso and Miramax, cannot possibly be any different, qualitatively, from a claim for quasi contract which courts uniformly find preempted.

[4] Respondent's assertion that copyright and trademark do not preempt one another because they protect different rights misses the point. (Response at p. 16.) The unjust enrichment claims in *Briarpatch* and *Murray Hill*, the conversion claim in *Berge*, the implied contract claim in *Grosso* and a claim for copyright infringement all involve the *same* right – compensation for alleged unauthorized use of a copyrighted work.

example, the Eighth Circuit in *National Car Rental System, Inc. v. Computer Associates Int'l, Inc.*, 991 F.2d 426 (8th Cir. 1993), engaged in a detailed analysis of the gravamen of the breach of contract claim at issue in that case. In contrast, *Acorn* (Fourth Circuit), *Taquino* (Fifth Circuit), *ProCD* (Seventh Circuit) and *Lipscher* (Eleventh Circuit) did not analyze whether an extra element made the claim qualitatively different from copyright.[5] In fact, *Acorn*, *Taquino* and *ProCD* do not even *mention* the extra element test. *Bowers*, 320 F.3d at 1324-26, applying First Circuit law, claimed to follow the reasoning of *ProCD*, but contrary thereto, applied the extra element test and examined the contract claim in substantial detail, stating that a claim cannot avoid preemption by the mere label of the claim. *Lipscher* recited the extra element test but did not engage in any analysis of the core of the contract claim at issue and merely concluded, expressly following *ProCD* and disagreeing with *Wrench LLC v. Taco Bell Corp.*, 256 F.3d 446 (6th Cir. 2001), that two party contracts are never preempted. *Lipscher*, 266 F.3d at 1311, 1318. These case authorities further illustrate the split in the circuits and the need for Supreme Court guidance.[6]

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[5] *Acorn Structures, Inc. v. Swantz*, 846 F.2d 923 (4th Cir. 1988); *Taquino v. Teledyne Monarch Rubber*, 893 F.2d 1488 (5th Cir. 1990); *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447 (7th Cir. 1996); *Lipscher v. LRP Publications, Inc.*, 266 F.3d 1305 (11th Cir. 2001).

[6] Also, none of Respondent's cases involved facts similar to this case. *See e.g.*, *Bowers*, 320 F.3d 1317, and *ProCD*, 86 F.3d 1447 (software shrink wrap licenses); *National Car Rental*, 991 F.2d 426 (negotiated software license); *Taquino*, 893 F.2d 1488, and *Lipscher*, 266 F.3d 1305 (written contracts concerning trade secrets); *Acorn*, 846 F.2d 923 (written agreement for architectural plans and materials); and *Kabehie*, 102 Cal. App. 4th 513 (written contracts for music rights). Though *Wrench*, 256 F.3d 446, involved an implied contract claim, in contrast to the facts here, there was extensive interaction between the parties that distinguished that case from quasi contract. More importantly for this Petition, *Wrench* is inconsistent with other, more recent case authorities in the same circuit (*Ritchie* and *Murray Hill*) and in other circuits, and was based on faulty

Dunlap v. G&L Holding Group, Inc., 381 F.3d 1285 (11th Cir. 2004), relied upon by Respondent, raises an additional split in the circuits and, thus, an additional ground for review. In the view of the *Dunlap* court, because ideas are not protected by copyright, ideas in a copyrighted work are not within the subject matter of copyright; "[t]hus, we conclude that a plaintiff's claim for conversion of his ideas—*even original ideas expressed in a tangible medium*—is not pre-empted by the Copyright Act." *Id.* at 1297 (emphasis added). As *Dunlap* itself recognized, its holding is diametrically opposed to *Berge*, 104 F.3d at 1463, in which the Fourth Circuit ruled that ideas in a copyrighted work fall within the subject matter of copyright and held a claim for conversion of ideas to be preempted by the Copyright Act. *Dunlap*, 381 F.3d. at 1295 n.18; s*ee also Briarpatch*, 373 F.3d at 306 (ideas within a screenplay are within the subject matter of copyright).

The district court cases cited in the Response further confirm the existence of a split. In his string cites of district court authorities that purportedly demonstrate the absence of a split (Response at pp. 12-13), Respondent cites to an unpublished opinion, a withdrawn opinion and other inapplicable case authority. These district court decisions are irrelevant. To the extent Respondent cites to proper district court authorities that found no preemption, contrary to Respondent's assertion, those decisions do not represent the majority view on implied contract claims. *Fischer v. Viacom Int'l, Inc.*, 115 F. Supp. 2d 535, 541-42 (D. Md. 2000) ("the majority of courts addressing the issue have found that the Act *preempts* implied-in-fact contracts") (citing cases) (emphasis added); Petition at p. 11 n.2, citing cases. At best, the cited case authorities show confusion and inconsistency in the

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analyses. (Petition at pp. 14-17.) Also, *Wrench* involved ideas for a character, not a copyrighted screenplay. 256 F.3d at 449.

district courts,[7] further underscoring the deep division in the case authorities addressing copyright preemption and the timeliness for this Court to grant the petition and clarify the existing morass.

CONCLUSION

Respondent mischaracterizes the issues before the Court. Petitioner does not contend that ideas can never be protected under state law or that the Copyright Act was intended to "kill contract claims." (Response at pp. 13, 15.) Nor does Petitioner seek to deny appropriate legal protection to "idea men." (Response at p. 16.) Rather, this Petition addresses the important issue—implicated daily in myriad industries and circumstances across the country—of whether, or in what circumstances does, the allegedly unauthorized use of a copyrighted written work give rise to a state law claim for breach of implied contract that evades copyright preemption. This Petition is necessary because *Grosso*, and the confusion in the circuit courts, have blurred the boundaries between the Copyright Act and state law, contrary to the express intention of Congress and contrary to this Court's pronouncement on copyright law that the "law's boundaries be demarcated as clearly as possible." *Fogerty*, 510 U.S. at 517-18.

For the foregoing reasons, and those set forth in the Petition, Petitioners respectfully request that this Court issue a writ of *certiorari* to review the decision of the United States Court of Appeals for the Ninth Circuit.

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[7] For instance, in *Selby v. New Line Cinema Corp.*, 96 F. Supp. 2d 1053, 1059-62 (C.D. Cal. 2000), the court identified three distinct and inconsistent approaches used in determining copyright preemption of claims for breach of contract. *See also Lennon v. Seaman*, 63 F. Supp. 2d 428, 437-38 (S.D.N.Y. 1999) ("it is important to note that not all of these holdings are based on the same principles").

Respectfully submitted,

ALAN R. FRIEDMAN
MIRAMAX FILM CORP.
375 Greenwich Street
New York, NY 10013
(212) 965-4246

GAIL MIGDAL TITLE
Counsel of Record
JOEL R. WEINER
STACEY MCKEE KNIGHT
JENNIFER L. LALLITE
KATTEN MUCHIN
ROSENMAN LLP
2029 Century Park East
Suite 2600
Los Angeles, CA 90067
(310) 788-4400

Attorneys for Petitioners